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NEWS SUMMARY

GENERAL

Mugabe attacks Zimbabwe whites

Zimbabwe's Prime Minister Robert Mugabe has criticised the country's whites in the most bitter terms since taking office 19 months ago.

The whites had not changed their racial attitudes since independence, he told a weekend rally of 40,000 at Gatooma.

He accused employers of exploitation of labour and continuing to call their workers kaffirs. "From today I give you permission to hit everyone who calls you a kaffir." Page 2

Anglo-Irish threat

The personal antipathy between Mrs Thatcher and Northern Ireland Secretary James Prior may entangle Anglo-Irish lines of communication. Back Page

Power curb plan

Proposals to curb the powers of nationalised industry chairmen are likely to be made before the end of the year. Back Page

Nato 'crossroads'

U.S. national security adviser Richard Allen said West European critics of President Reagan's policies towards Moscow are disrupting Nato which is "at a crossroads."

Belgium votes

Initial counts in the Belgian general election indicated a swing away from the ruling Christian Democrat Party.

Snatch girl found

Emeline Daily, 5, was found in Ireland after being snatched from her home near Peterborough. Her father will appear in a Dublin court today.

Newspaper 'crisis'

National newspapers face a crisis that threatens a number of titles and thousands of jobs, NPA chairman Sir Richard Marsh told print unions.

Bill 'faces defeat'

Conservative backbencher Terence Higgins said the Government faces defeat on the Bill to limit local government spending unless it removes provisions for rate referendums. Page 4

Police warning

West German police "will strike" if faced with further violent demonstrations, police union leader Guenter Schroeder warned. Unions warn Schmidt, Page 2

Top hotel

Britain's hotel of the year is the Plough and Harrow at Birmingham, according to the Egon Ronay 1982 guide.

Bottoming out

A leading jeans supplier who thinks female hip sizes may be an indicator of inflation forecasts all-time lows of 32 ins and 33 ins next year— "so things are looking brighter."

Briefly ...

Seventy people were hurt when rival Muslim groups clashed in Karachi.

Ten Kurdish guerrillas and two revolutionary guards were killed in fighting near Orumieh, Tehran Radio said.

Cocaine worth more than $1m was found when New York police raided a Harlem club.

BUSINESS

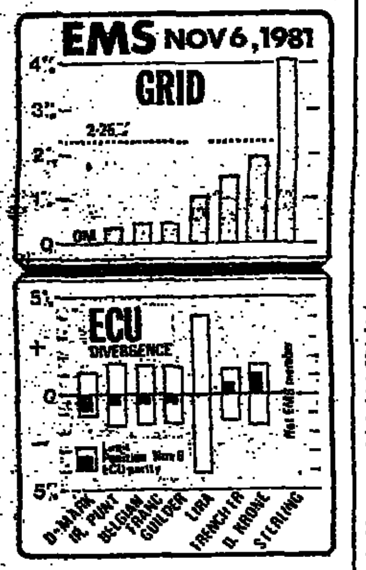
Edwardes told to hurry BL split-up

● THE CABINET is to tell Sir Michael Edwardes, chairman of BL, to treat the sale back to the private sector of the state car group's constituent parts as a matter of urgency. Page 4

● THE TREASURY has approved a new programme to provide training for all school leavers, whether they can obtain a job or not. Six only of the 24 industrial training boards are to be retained on a statutory basis, with a new one created for offshore gas and oil. Back Page

● THE DANISH krone replaced the French franc as the strongest member of the European Monetary System last week. The D-mark remained the weakest currency, but it improved generally, and traded well within its official divergence limit.

Although the French franc finished the second strongest, it declined throughout the week, amid rumours that capital was moving out of France. The lira weakened on Friday, and there was little difference between the Belgian franc, Dutch guilder and Irish punt by the end of the week.



The chart shows the two constraints on European Monetary System exchange rates. The upper grid based on the weakest currency in the system defines the cross rates from which no currency (except the lira) may move more than 2¼ per cent. The lower chart gives each currency's divergence from the "central rate" against the European Currency Unit (ECU) itself a basket of European currencies.

● BRITISH STEEL'S new corporate plan, with further cuts inevitable, goes to the Government later this month—with a warning that European prices must continue to rise. Back Page

● FARM WORKERS will today table a claim for a 30 per cent pay increase, which, they say, would bring them into line with other manual workers. Page 6

● COMMERCIAL vehicle registrations in October were 19,337, 2.8 per cent down on October 1980, but indicating a break in recent sharp falls. Imported vehicles took 36 per cent, compared with 24.9 a year before. Page 4

● ELECTRICITY rebates of 8 per cent on the standard tariff and 20 per cent on night economy rates for the January-March quarter have been recommended by the Electricity Council to area boards —because coal prices have not been as high as expected. Page 4

● UK ENERGY demand fell 6 per cent in the first eight months, said National Coal Board chairman Sir Derek Ezra. Page 4

CONTENTS

Saudis plan to flood market if oil prices are forced up

BY RAY DAFTER, ENERGY EDITOR, IN RIYADH

SAUDI ARABIA will again flood the oil market if other exporters tried to force up prices before the end of next year, Sheikh Ohmed Aki Yamani, the Kingdom's Minister of Petroleum, said yesterday.

Saudi Arabia has reduced its production to 8.5m barrels a day following the recent agreement by the Organisation of Petroleum Exporting Countries to freeze prices until the end of next year. "We will raise it if someone is playing with prices," he told British journalists.

He said that last month the Saudis pushed output to above 9.6m b/d, which further weakened the oil market and created the climate for Opec pricing unification based on a reference tariff of $34 a barrel.

The Minister's message may well be taken as a warning to other producers, as Opec may be faced with pricing pressures from some of its more hawkish members next summer when, according to Sheikh Yamani, demand for members' oil could have risen to an annual rate of 23m-24m b/d as against the present rate of about 20m b/d

Oil companies were running down stocks at a rate of well over 2m b/d — a faster rate than had been expected within Opec a few months ago.

Oil companies realised there was no reason to hold extraordinarily high stocks when supplies were reasonably assured and available at stable prices.

Sheikh Yamani also hinted that there may be occasions in the future when prices could be lowered by Opec. This, he said, might be implicit in the organisation's Long Term Strategy which is to be discussed at the next Opec ministerial meeting in Abu Dhabi next month.

The October Geneva meeting, when some members had agreed to reduce prices, had been significant. "We learned for the first time we could lower prices as well as increase them."

Opec is redrafting the pricing formula in the Long Term Strategy. Under previous proposals, drawn up when the oil price was $18 a barrel, future prices would have gone up to reflect movements in various indices, relating to world wide economic growth, inflation and exchange rates.

This would have meant that prices throughout the 1980s and 1990s would have risen at an average rate of 2.5 to 3 per cent a year in real terms. Sheikh Yamani said the new formula would be more flexible.

The Petroleum Minister indicated that Saudi Arabia will be a major force in oil production well into the next century. The Kingdom's proven reserves were likely to be far higher than present estimates would suggest —around 170bn. Its published reserves (which compare with world-wide reserves of some 650bn barrels) were based on the amount of oil located by exploration and production wells, he said.

The estimates took no account of the extent of reservoirs indicated by seismic exploration work. "If we applied the same method of evaluation as Mexico you would be amazed. You would have to fasten your seat belt," he said.

The Kingdom was discovering oil at about the same rate as its production—around 8.5m barrels a day.

Sheikh Yamani also dismissed industry reports that Saudi Arabia was considering building up a strategic petroleum reserve similar to the reserve stocks being put in place by the U.S. Saudi Arabia was evaluating the development of storage facilities to alleviate any transportation bottlenecks at loading terminals, he said.

It was unlikely that this storage would handle more than a week's supply of exported crude oil or four weeks' supply of refined products—normal development for an exporting country.

EEC backing hardens for Middle East peace plan

BY OUR FOREIGN STAFF

BACKING BY the European Economic Community for the Saudi Arabian Middle East peace plan hardened yesterday when West Germany and Britain reaffirmed support for the proposals.

Describing the eight-point proposals as "a very realistic starting-point for a settlement," Herr Hans-Dietrich Genscher, West German Foreign Minister, said in an Egyptian television interview, the plan, put forward by Crown Prince Fahd, "agrees in many areas with the position of the European Community and this is where we see components which are worth supporting."

At the same time Lord Carrington, Foreign Secretary, said on London Weekend Television current proposals were not aimed at Israel's annihilation but were a genuine effort to find a peace fair to everybody in the Middle East.

Herr Genscher said Bonn favoured EEC participation in the international peace-keeping force which, under the Camp David agreements, will monitor the Sinai after Israel's withdrawal next April.

Friction developed at the end of last week between Britain and the U.S. over the effect EEC support for the Saudi proposals was having on its possible participation in the Sinai force.

Mr Menahem Begin, Israel's Prime Minister, told his Cabinet yesterday any attempt to link European participation in the force with the EEC's Venice Declaration on the Middle East or with the Saudi plan would make these troops unacceptable ot his country.

Lord Carrington hoped this problem would be worked out in the next three weeks. He said: "It would be a gesture to the Palestine Liberation Organisation not to go; it would be a gesture to the Palestine Liberation Organisation not to go; it would be a gesture to the Americans to go. I'm not sure about the Israelis, but I think we have to make up our minds what is in the best interests of a comprehensive peace settlement."

Lord Carrington said the Saudi plan was "a really radical departure from previous Arab published thinking. It shows a will on the part of the Saudis, and I think of moderate Arabs, to negotiate a peaceful settlement which 10 years ago really wasn't the case. It shows there is a willingness to recognise the State of Israel after the peace process is completed."

Britain, France, Italy and The Netherlands have found difficulties in agreeing on the precise form of words to cover EEC participation in the Sinai peace -keeping force.

Mr Begin said yesterday an ultimate condition for any country's participation in the force was that no mention be made of any document other than those relating to Camp David. 'There is not and there will not be any reference to the EEC Venice Declaration," he told the Cabinet.

Gulf security, Page 2
Mubarak stresses economy, Page 2

Labour moderates attack Left

BY PHILIP BASSETT, LABOUR STAFF

TRADE UNION and Labour Party moderates will today try to press for an internal inquiry into groups in the party, such as the Militant Tendency, with the aim of reintroducing the list of proscribed organisations.

Party and union moderates failed in their most recent attempt to reintroduce the proscribed list — abandoned on the recommendation of the party's national executive committee in 1973 — when a motion from the National Union of Railwaymen to raise the issue again was ruled out of order at the party conference in Brighton.

Moderate union leaders in particular, disturbed that the activities of such groups as Militant might be a key factor in the outcome of Labour's chances at the next General Election, were determined not to let the matter drop.

The NUR is set to raise the issue again at today's meeting of the NEC's organisational sub-committee, with the support again of the Iron and Steel Trades Confederation.

The political complexion of the sub-committee remains unclear. Mr Michael Foot, the party leader, is supporting Mr Eric Heffer, a Left-winger, in the retention of the chairmanship, while the committee has been expanded with the addition of two Right-wingers. But union leaders involved are buoyed up by the success of the Right in significantly altering the balance on the NEC with the removal of five Left-wingers at the party conference.

The moderate unions believe this will increase their chance of success in establishing an inquiry into the activities of Militant and other groups, though some are concerned that groups such as the increasingly-centrist Trade Unions for Labour Victory and others might come within the scope of any such inquiry.

Left-wing trade unionists pledged last night to resist all attempts to reintroduce the proscribed list, which they claimed would narrow the base of the party.

● Labour MPs are bracing themselves for an explosive meeting on November 18, called to discuss strategy for the next general election. One of the issues to be raised concerns the position of London MPs facing re-selection, many of whom are under threat of being dropped.

The meeting is also expected to consider calls for action against the Militant Tendency. Evidence is mounting that many Left-wing MPs may not resist too strongly the idea of a new inquiry into Militants' activities.

Expenditure statement delayed, Page 4

Rethink on communication network

BY GUY DE JONQUIERES

THE POSSIBILITY of accelerating modernisation of Britain's communications network by encouraging a co-ordinated investment programme by British Telecom, private companies and nationalised industries is being studied by the Government in a rethink which portends massive potential change.

The aim would be to rewire much of the country with advanced optical-fibre cables. These could carry cable-television programmes, satellite broadcasting, two-way video communications and computerised information services, as well as ordinary telephone calls.

Government thinking is still at an early stage. Creation of a practical programme would require a high degree of cooperation between public and private sectors, and establishment of institutional machinery to supervise it.

The idea was inspired partly by the West German telecommunications authority. The Bundepost is studying a plan to rewire all West Germany with optical fibres at a cost of about DM 100bn (£25bn) over the next decade.

Britain's Industry Department has been impressed by this project, which would involve laying about 150m km of optical fibre to link every telephone subscriber in West Germany. The Bundespost hopes to offer subscribers two-way video communications at an initial cost of DM 2,000 each, eventually.

The German plans go well beyond British Telecom's programme to replace its main inter-city trunk routes with

Continued on Back Page

Drivers at BP accept 8.1% rise

By Philip Bassett, Labour Staff

TANKER DRIVERS at BP have voted decisively to accept the company's 8.1 per cent pay offer in a move which throws into confusion the prospect of what would effectively be an all-out national drivers' strike from next Monday.

Full results of voting by the company's 2,000 manual distribution workers — the first of the 20,000 in the major companies to vote — will not be disclosed until BP shop stewards meet negotiators fromthe Transport and General Workers' Union in London today.

However, unofficial shop stewards calculations over the weekend estimate that the vote to accept the offer, depot by depot, has gone about 18—6 in favour.

Neither the company nor senior TGWU officials were able to confirm the decision last night. The drivers and distribution workers in BP are considered to be traditionally moderate in relation to those of the other major oil companies.

The BP vote will cause division in the drivers' ranks. It will throw the strike called for by the TGWU from next Monday by drivers in all the companies into considerable doubt, since negotiations, including acceptances of offers, tend to follow each other in the industry.

However, some shop stewards are convinced that more militant regions, particularly London, may well take action despite such votes as the BP decision.

They feel this could create further confusion. Since the strike has official TGWU support, the union might well bring considerable pressure to bear on any drivers who were not out—insisting on action perhaps in spite of local or company voting—while those in London, for example, were on strike.

The firmness of the union's resolve over the dispute, following the collapse last week of the BL pay strike, was emphasised yesterday by Mr Alex Kitson, the TGWU acting general secretary. He was reported in a newspaper interview as saying that he wanted to bring out the tanker drivers to try to force an economic U-turn, or even a General Election, on the Government.

The Government has pre-

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Pay talks this week, Page 6

Every workless person costs £4,380 a year

BY MAX WILKINSON, ECONOMICS CORRESPONDENT

EVERY EXTRA unemployed person costs the Exchequer £4,380 a year, an increase of 46 per cent compared with the cost two years ago, says the latest official estimate.

It shows that unemployment costs have risen at one and a half times the rate of inflation for the period, and suggests that on the basis of present tax and national insurance rates total cost of unemployment this year will be £12.45bn.

The figure, from the Manpower Services Commission, includes direct cost of benefits and lost tax which would have been paid by the unemployed had they stayed in jobs.

In 1979-80 the MSC put the total cost to the Exchequer of each additional 100,000 registered unemployed at £300m. The latest estimate of £438m per 100,000 this year, given in a Department of Employment written Parliamentary answer, is a 46 per cent increase.

In the same period the retail price index has gone up by only 30 per cent.

The Treasury's estimate that the cost of an extra 100,000 unemployed was £340m last year leaves out loss of indirect taxes such as Value-added Tax, as a result of the fact that people on the dole have less spending power than if they had remained in work.

This loss of indirect taxes amounts to about £320 a year per person this year, according to the MSC's estimate.

The Treasury says it would be theoretically incorrect to calculate total cost of unemployment by multiplying the cost to the Treasury for each extra unemployed person by the total number on the dole.

If all the present unemployed were back at work, the whole economy would be transformed so that tax rates and insurance contribution rates would probably be different, it adds.

However, the MSC has in fact made a rough estimate of the total cost, assuming present tax and contribution rates.

This comes to a total of £12.45bn on the basis that the average number of registered unemployed this year will be 2.84m.

MSC ESTIMATE OF COSTS OF UNEMPLOYMENT 1981/82
(Assuming average 2.84m unemployed)

	£bn
Unemployment benefit	2.004
Supplementary benefit	2.000
Loss of income tax	4.257
Loss of NI contributions	3.280
Loss of indirect taxes including VAT	0.906
TOTAL	12.447

The new estimate will be important ammunition for those economists and Conservative Party dissidents who have been urging the Government to start a programme of reflation. For it indicates that every new job created would result in an average saving of £4,380 a year for the Exchequer, much more than was previously thought.

This saving could be set against cost to the taxpayer of any job-creating programme.

The calculation applies, however, only to jobs created in the private sector. For new jobs in the public sector, the saving would be somewhat less.

The new estimate has taken many officials in Whitehall by surprise because it is much higher than the most recent calculation of the Treasury, in February, which put the cost of additional unemployment last year at £3,400 per person.

Both estimates are made on a similar basis, but on slightly different assumptions. Last night the Treasury said it was not ready to release its own estimate for unemployment costs this year.

It seems likely that when it does so, a sharp increase will be shown over its previous figure, for 1980-81.

The MSC's estimate, which puts total cost of keeping an extra person unemployed at £84 a week, is about 70 per cent of the average wage of men in manual work. According to the Government's most recent earnings survey, about 8 per cent of men and 47 per cent of women earn less than the latest estimate of what it would cost the State to keep them on the dole.

The main reason for the steep increase in the costs of unemployment is that a larger proportion of skilled and better-paid workers have been thrown on to the dole in the last two years.

Consequently, direct cost of earnings-related benefits has gone up, and so has loss from the taxes and national insurance contributions which the chequer has foregone.

Clare plan for recovery, Page 5

OVERSEAS NEWS

Mugabe accuses Zimbabwe's whites of racism

BY OUR SALISBURY CORRESPONDENT

ZIMBABWE's Pirme Minister, Mr Robert Mugabe, has criticised the country's 190,000 whites in the most bitter terms he has used since taking office 19 months ago. The attack is expected to damage white morale.

Addressing a weekend rally of 40,000 suporters in the Midlands town of Gatooma, Mr Mugabe said he, had become convinced that the whites had not changed their racial attitudes since independence.

He accused employers of exploitation of labour and of continuing to call their workers "kaffirs." "From today I give you permission," he said "to hit everyone who calls you a kaffir," though he went on to tell the meeting not to beat "innocent whites."

Excuse

Mr Mugabe said that employers in industry, farming and mining had used minimum wage legislation as an excuse for reducing the pay packets of workers and he demanded a complete change of attitude.

The Prime Minister had earlier been critical of the management of Mangula Mine, owned by the Messina Transvaal group, which he accused of ill-treating black miners. Last week Mangula announced a loss in the year to September 30, partly due to weak copper prices. The Prime Minister's sharp attack on the company coincided with renewed criticism of the mining industry by the Secretary for Mines, Mr Christopher Ushewokunze, who claimed that certain foreign Governments were trying to put pressure on Zimbabwe to scrap plans to establish a state-owned minerals marketing corporation next year.

Manipulating

The Zimbabwe Government has frequently accused multinational companies which dominate the mining sector of manipulating transfer prices so as to withdraw profits from the country. These charges have been firmly denied by the industry. A spokesman has said that all sales figures are available for Government inspection.

The industry again warned the government at the weekend that establishment of a marketing agency along the lines envisaged in the current draft legislation due to come before Parliament early in 1982 would discourage new investment.

Mining officials said that they had no knowledge of any intervention by foreign governments although it is understood that some influential visitors from abroad have pointed out to Ministers that similar marketing agencies elsewhere in the Third World have not been notably successful.

OAU force of 5,000 prepares for Chad

NAIROBI — The Nigerian Foreign Minister, Professor Ishaya Audu said yesterday up to 5,000 African soldiers would take part in the six-nation Organisation of African Unity (OAU) peacekeeping force due to be sent to Chad later this month.

Professor Audu, who is in Nairobi for discussions on the planned force with President Daniel Arap Moi of Kenya, the current OAU chairman.

He confirmed that the Chad President, Goukouni Oueddei, had told Nigeria it was vital to organise the force quickly to prevent a resurgence of civil war now that Libya had pulled out its troops from his country.

Professor Audu said the Nigerian army was thinking in terms of sending two battalions — 2,000 men — as its part of the OAU force. He understood that Benin, Gabon, Senegal, Togo and Zaire had agreed to contribute about 600 troops each.

The OAU force will replace the estimated 10,000 Libyan troops who are leaving Chad at the request of President Goukouni.

Referring to the force's commander, Prof Audu said the choice is a matter for the OAU authorities—presumably the chairman in consultation with his secretary-general—and is subject to the concurrence of the Chad authorities.

Prof Audu confirmed that France had offered to provide logistical and other assistance for the African force.

Reuter

IMF team due in Costa Rica today

BY WILLIAM CHISLETT IN MEXICO CITY

OFFICIALS from the International Monetary Fund and the World Bank are due in San Jose, the Costa Rican capital today to try to reach a new understanding with the central American repbulic which faces bankruptcy.

The IMF recently suspended a $330m (£176m) three-year facility with Costa Rica, signed in June, because President Rodrigo Carazo's Government broke its terms.

This is Costa Rica's third broken agreement in less than two years and relations between the two sides have become strained.

Costa Rica and the IMF hope to replace the facility with a standby agreement for about $100m a year for three years. This is a more direct form of financing to alleviate the country's severe foreign exchange crisis.

The World Bank, once agreement with the IMF is reached, may grant Costa Rica a substantial structural adjustment loan.

Costa Rica is some $126m in arrears on unpaid interest and capital on its $2.6bn external public sector debt which the Government is now trying to reschedule.

Just over $1bn is owed to commercial banks. Bankers would like to see a new firm IMF deal in place before rescheduling the debt.

Rising oil prices, high international interest rates, depressed prices for coffee exports and free spending have brought about the economic crisis for San Jose.

Washington has become alarmed about Costa Rica's prospects. The country is the only democracy in turbulent central America and the belt-tightening measures which the Government is having to introduce after a long period of economic well-being are bound to intensify social tensions.

President Rodrigo Carazo's Government recently introduced a more unified exchange rate in place of the chaotic multiple rate system, to comply with one of the IMF's terms. The central bank now sets the colon's base value in line with the free market. The colon, pegged at 8.6 to the dollar until it was floated last December, has recently been selling at 40 to the dollar, on the free market.

The dollar-colon exchange rate differential between the banking system and the free market used to be so high that exporters, obliged to hand over their receipts to the central bank, became deeply involved in speculation on the free market.

K. K. Sharma reports from New Delhi: The IMF's executive board is today considering an Indian application for a loan of 5bn special drawing rights (about £3bn), the biggest single credit ever sought from the world financial institutions.

The Indian Government is confident that the application will be approved without much difficulty, despite a statement by Mr Donald Regan, the U.S. Treasury Secretary, that the U.S. will "ask a lot of questions" about the conditions for the loan.

Poll shows Mitterrand's popularity still high

BY MARK WEBSTER IN PARIS

THE POPULARITY of French President Francois Mitterrand is still high six months after he came to power, but the public is becoming increasingly sceptical about his Government's ability to deal with the problems of unemployment or inflation.

According to an opinion poll published here yesterday, 53 per cent of people felt that the first six moths of M Mitterrand's presidency had been positive, compared with 44 per cent who offered the same opinion after his first 100 days.

The results of the IFRES poll published in a Sunday newspaper are on the whole more optimistic than those printed in the conservative Figaro magazine. These show a fall in public confidence both for M Mitterrand and M Pierre Mauroy, Prime Minister.

In both polls there is the same disillusionment with the Government's ability to tackle unemployment and inflation, especially as the jobless total has just crossed the psychologically important 2m mark.

The IFRES poll showed 48 per cent of people believed that M Mitterrand had failed to keep his promises on bringing down unemployment. The same percentage said he had not kept his word on inflation.

Secret talks likely on defence of Arab states

BY RICHARD JOHNS IN RIYADH

THE CONSERVATIVE Arab oil producing states are expected to continue in secret their debate over regional defence arrangements at the Gulf Co-operation Council's summit here this week.

Another contentious issue has been raised by Kuwait's call to other members that they should establish diplomatic relations with the Soviet Union.

Approval of Saudi Arabia's proposals for a Middle East peace settlement is considered a foregone conclusion. It was endorsed by the Foreign Ministers of Saudi Arabia, Kuwait, Bahrain, Qatar, the United Arab Emirates and Oman at a meeting in Taif early in September.

They met again last night to prepare for the GCC's second summit starting on Tuesday. The organisation formally came into being last May.

The peace plan will top the agenda, but only for the six leaders to discuss joint strategy at the forthcoming Arab summit to be held in Fez, Morocco, later this month.

At their gathering in Taif in September the GCC Foreign Ministers also decided on closer co-ordination in all political matters and security, but there are differences as to how far they should go in military collaboration.

Spadolini in Londo[n] for talks on EEC

A LIST of European [com]munity problems, r[anging] from the budget to th[e need] to breathe new life in[to the] quest for European uni[ty] head the agenda for t[he] Anglo-Italian talks in L[ondon], Rupert Cornwell writes [from] Rome.

The talks between Giovanni Spadolini, [the] first non-Christian De[mocrat] Prime Minister in 35 [years] and Mrs Margaret Th[atcher] initiate a crowded ser[ies of] bilateral and multil[ateral] meetings before the Heads of Government m[eet in] London at the end [of the] month. Although eco[nomic] issues, transatlantic rel[ations] and the Middle East are [likely] to figure on the agenda the main task facing th[e] leaders will be to help [pave] the way for constr[uctive] agreements in a fort[...] time.

Iran contrac[ts] warning

A future Iranian Gover[nment] will not necessarily r[...] contracts signed by f[oreign] companies with the Ay[atollah] Khomeini's regime, an [oppo]sition guerrilla leade[r], Massoud Rajavi, said in [...] yesterday, Terry Pove[y re]ports. Mr Rajavi's sta[tement] comes after Friday's de[cision] by Iran to cut its oil [price] by $2.40 a barrel to th[e level] set by the recent conf[erence] of the Organisation of [Petro]leum Exporting Cou[ntries]. The move is clearly ai[med at] boosting currency earni[ngs].

Trudeau to s[eek] Quebec pact

Canada's Government [has] decided to delay pass[age of] its constitutional reso[lution] through Parliament f[or at] least a week while it m[akes a] final attempt to reach [agree]ment with the Quebe[c pro]vincial government o[n the] language of a new Ca[nadian] constitution, Jim [...] reports from Ottawa. ([Quebec]) was the only province [not to] sign a constitutional [accord] reached after four da[ys of] hard bargaining last [week] between the Canadian [Prime] Minister, Mr Pierre Tru[deau] and the 10 prov[incial] Premiers.

Mubarak stresses the economy

BY ANTHONY McDERMOTT IN CAIRO

President Hosni Mubarak of Egypt told Parliament yesterday that his Government's success depended on its ability to deal with the country's economic problems.

In his first full policy speech since he succeeded Mr Anwar Sadat just over a month ago, he said his eventual goal was economic equality and social justice.

He showed clear signs of adopting a precise, down-to-earth approach to Government and concentrated mainly on economic affairs, a topic for which Mr Sadat, by his own admission, had little feeling.

The suppression of Moslem terrorism remains the first task, however, and Mr Mubarak promised to stand by the peace treaty with Israel.

He attacked conspicuous consumption and said the economic open-door policy started by Mr Sadat in 1974 should be "productive of what the majority needs." They should be the main beneficiaries, not just a few benefiting from luxury.

Consumption should be rationalised and funds as a whole channelled towards the needs of the economy. Housing was another priority and subsidies for essential items, which cost the Government about E£2bn (£1.29bn) a year would have to be reshaped to help only those who needed them.

Expenditure by both private and public sectors would have to be curbed, but the dominant public sector would continue to be supported. It was "the foundation of industry in this country."

Mr Mubarak said shortage of skilled labour was a major problem and that imports would have to be controlled.

Unions warn Schmidt on job losses and social cuts

BY KEVIN DONE IN FRANKFURT

THOUSANDS of West German trade unionists staged a demonstration in Stuttgart at the weekend, promising stern resistance to further job losses and cuts in the social system.

Representatives from both sides of industry are due to hold informal talks in Bonn on Wednesday with Chancellor Helmut Schmidt and other Cabinet Ministers, including Count Otto Lambsdorff, the Economics Minister, Herr Hans Matthoefer, the Finance Minister, and Herr Herbert Ehrenberg, the Labour Minister, to discuss the state of the economy.

In advance of the meeting an estimated 70,000 trade unionists took part in the Stuttgart demonstration as a warning to the Government. The number out of work rose last month to 1.36m or some 5.9 per cent of the workforce.

Herr Eugen Loderer, head of I G Metall, the country's largest union, threatened, in an interview, that German workers would not stand for any reductions of sickness or unemployment benefits as part of Government attempts to limit the growth in public spending.

He again ruled out any suggestion of a wage freeze and called for tax levies to fund a job-creation programme. Local leaders of IG Metall in Stuttgart called on the Social Democratic Party to assert itself in the ruling coalition in Bonn.

During recent negotiations on the 1982 federal budget the Free Democrats, the junior coalition partner, pushed strongly for cuts in some social beenfits.

First signs of truce after Frankfurt airport protests

BY OUR FRANKFURT CORRESPONDENT

SIGNS OF a temporary truce appeared at the weekend between police and demonstrators, who have been protesting for a week over the building of an additional runway at Frankfurt international airport.

The latest demonstration, by about 20,000, passed off peacefully after a five-man deputation was allowed through police cordons to hold talks with Herr Ekkehard Gries, Interior Minister for the state of Hesse.

Herr Gries said he would support a temporary halt to building work if a 200,000-strong petition was handed in as planned on November 14.

Environmentalists are trying to collect names for the petition as a first step towards seeking a plebiscite in Hesse to decide whether the runway should be built.

Such a vote would be unprecedented, but it appears to be the opposition groups' last chance of stopping construction work on the third runway which began last month.

Plans supported by both the Hesse state government and by the Frankfurt city assembly for expanding the airport have been fought through the courts for more than 10 years, but the final legal obstacles were removed earlier this year.

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COMPANY NOTICES

BOND DRAWINGS

ART GALLERIES

WORLD TRADE NEWS

UK seeks way to end MFA dissent within Europe

BY PAUL CHEESERIGHT, WORLD TRADE EDITOR

THE UK has prepared compromise proposals to bridge deep differences in the EEC over the approach to the renegotiation of the international Multifibre Arrangement (MFA), which controls world trade in textiles.

The proposals, privately circulated among EEC Governments over the weekend, will be formally placed before Trade Ministers when they meet in Brussels tomorrow.

The Ministers will be seeking to difine the EEC position for the final phase of MFA renegotiations which start in Geneva on November 18. The existing MFA expires at the end of the year.

Details of the UK proposals have not been disclosed but they concern the base level for assessing the quota of textiles imports from developing countries acceptable to the EEC under any new MFA.

Most EEC countries are intent on controlling the level of textiles imports, but differences have arisen over whether the base year for settling exact quotas should be 1980 or 1982.

Many existing quotas were not taken up in 1980 because of the recession. France and Italy favour using the level of sales in 1980 as the base for future quota allocations. The UK is sympathetic to this view but does not feel it is a practical negotiating point.

Other countries such as West Germany and the Netherlands want the actual level of imports reached in 1982 to be used as the base for future import levels. The EEC's bilateral textile arrangements run out at the end of that year.

In the event of a market recovery and the full use of existing quotas, this would put the base level considerably higher than an assessment reached from 1980 figures.

The British proposals are designed to effect a compromise between these two views, while pitching the base level as low as possible.

The settling of the base level is crucial to the definition of an EEC negotiating position because it is the starting point for any percentage increase or decline in the share of the market allotted to imports.

Editorial Comment, Page 16

France and Italy agree to build short haul aircraft

BY MARK WEBSTER IN PARIS

AEROSPATIALE OF France and Aeritalia of Italy have signed a joint co-operation agreement to produce a small short haul aircraft to come into service in four years.

The two companies hope that the twin-engined turbo-prop could capture up to one quarter of the market for such aircraft, estimated at 3,700 over the next 20 years.

The aircraft, called the ATR 42, will be available in both a passenger and a cargo model and will have a maximum range of 1,300 km.

Powered with engines by Pratt and Whitney of Canada, the smallest passenger version will seat between 42 and 49 while a stretched version will be available with up to 60 seats.

The two manufacturers announced at the weekend signing of the deal in Paris that they already had orders for 60 of the aircraft. They hope to sell up to 900 in all.

The agreement has been signed after 18 months of close co-operation between the two countries in matters of civil aviation. Until June 1980 both companies had been working on separate studies.

Although for the time being the project will involve only the two companies, they do not exclude the possibility of other countries becoming partners.

The agreement was signed on the French side by General Jacques Mitterrand, head of the state-owned SNIAS and brother of the French President, and by Sr Renato Bonifacio, head of Aeritalia.

Under the accord, the assembly line for the passenger aircraft will be installed at Toulouse, creating 4,300 new jobs by 1988, while the cargo version will be built in Italy.

Aerospatiale will take charge of the overall design along with the cabin and the cockpit. Aeritalia will be responsible for the fuselage and the landing gear.

The agreement has been welcomed by both governments.

World Economic Indicators

INDUSTRIAL PRODUCTION

					% change over previous year	Index base year
	Sept. '81	Aug. '81	July '81	Sept. '80		
U.S.	152.1	153.3	153.8	144.4	+5.3	1967=100
	Aug. '81	July '81	June '81	Aug. '80		
UK	103.6	101.7	100.9	106.5	−2.7	1975=100
W. Germany	117.8	116.4	116.6	117.1	+0.6	1975=100
Japan	144.3	147.6	146.1	137.2	+5.2	1975=100
Italy	116.0	127.8	125.1	117.1	−0.9	1975=100
Netherlands	107.9	111.1	108.2	109.8	−1.7	1975=100
	July '81	June '81	May '81	July '80		
Belgium	109.6	116.1	113.6	113.2	−3.2	1975=100

Source: (except U.S. and Japan) Eurostats.

Bernard Simon in Johannesburg examines a peculiarly South African trade problem

Difficulties grow for back door exporting

SOUTH AFRICA'S furtive efforts to bypass international trade boycotts have been highlighted by a protracted dispute involving a shipment of animal feed to Singapore.

The outcome of the dispute could have far-reaching implications for South African exporters, as well as for foreign traders doing business with South Africa in defiance of Government boycott orders.

The two parties at loggerheads are Jooseng, a Singapore-based trading company, and Raphaely Singapore, an associate of Leo Raphaely and Sons, a well-known South African commodity trading house with a reputation for penetrating difficult markets for South African goods, notably in black Africa, the Middle East and Far East.

Earlier this year, Jooseng signed a contract with Raphaely Singapore for delivery of a shipment of maize grits, a processed maize product used for animal feed. It is understood that the grits had previously been bought by another Raphaely company from a prominent South African food producer, Tiger Oats.

Shortly before the cargo was to be shipped from Durban, Jooseng repudiated the contract, and Raphaely sold the goods elsewhere.

In the meantime, however, the ruling market price for grits has fallen sharply. Raphaely alleges that its eventual income from the sale was some $1m lower than the price agreed with Jooseng. It is now claiming this amount from the Singapore company.

Jooseng is contesting the claim on two main grounds. First, it claims that the quality of the grits was below the standard specified in the contract.

Its second defence revolves around the origin of the shipment. Although neither company will comment on the exact terms of the contract, a Raphaely official confirmed that "the dispute is which part of southern Africa the maize came from."

The company would go no further than saying that the origin of the maize grits was "southern Africa."

It is understood, however, that the product shipped to Jooseng was accompanied by Mozambican documents. But Jooseng contends that the true origin was South Africa, and that Raphaely thus broke a key provision of the contract.

A crucial issue in the dispute is whether Jooseng was aware that it was, in fact, buying South African and not Mozambican maize grits.

Interestingly, Mozambique does not export maize grits at all, and imports sizeable quantities of unprocessed maize from South Africa.

Singapore officially boycotts South African goods, but trade links between the two countries are well-established. South African passport holders frequently visit Singapore. According to the Taiwanese consulate in Johannesburg, China Airlines has been given permission by the Singapore government to route its proposed regular flights between Taipei and Johannesburg via the city state.

One factor complicating the Raphaely-Jooseng dispute is that the two parties cannot agree on where the case should be heard. Jooseng contends that jurisdiction lies with the Singapore courts, while Raphaely wants the matter referred for arbitration to the Grain and Feed Trade Association in London.

Barring an out-of-court settlement, the dispute is expected to drag on well into 1982.

Should a court or arbitration tribunal uphold Jooseng's defence that the maize grits were of South African and not Mazambican origin and that the Singapore company was consequently entitled to cancel the contract, South African exporters may have to find new methods of penetrating hostile markets or face the danger of more contracts being repudiated.

Whatever the merits of the Raphaely - Jooseng case, it serves as a reminder of the political importance of South Africa's food exports.

Many countries claiming to boycott South African goods turn a blind eye to imports of essential foodstuffs. It is an open secret that South Africa sells sizeable quantities of maize to countries such as Jordan, Venezuela and Iran.

A popular method of getting South African products into hostile African and Asian countries is to disguise their origin, as was done with exports from Rhodesia during the sanctions years.

Black-ruled countries in southern Africa depend heavily on food supplies from South Africa. A well-known Johannesburg concern is rumoured to have concluded a multi-million dollar transaction recently to sell a wide variety of food and other household essentials to Zambia.

Swiss chemical sales up

BY JOHN WICKS IN ZURICH

TURNOVER OF the Swiss chemical industry was higher by some 7.2 per cent in the first half of 1981 than during the corresponding period of last year, according to the Swiss Society of Chemical Industries. This is, however, attributed partly to the relative weakness of the Swiss franc earlier in the year on various export markets.

The foreign exchange situation improved the competitive ability of chemical exporters, as well as the fact that Switzerland had a lower inflation rate than almost any other country. In the first eight months of 1981, Swiss chemical exports rose by 10.5 per cent compared with the same period of last year, largely as the result of higher sales volumes.

At the same time, turnover of the major producers' foreign subsidiaries is said to have risen faster than that of the parent companies.

● Swiss hotels registered a further growth in business during the past summer. According to Government figures, the number of bednights reported for the June-August period was 4.5 per cent up on the corresponding 1980 figure. This had itself been some 13 per cent higher than for the previous summer.

Although high-season tourism has still not yet returned to the peak levels booked between 1962 and 1973, this year's rise to 12.2m bednights means a marked improvement over frequencies in the late 1970s.

Lurgi to build Indonesian methanol plant

JAKARTA — Lurgi AG of West Germany has signed a contract with Pertamina, the Indonesian state oil company, to build Indonesia's first chemical grade methanol plant on the island of Bunxu.

The plant, due for completion in 1984, is designed to produce some 1,000 tons of methanol a day, or 330,000 tons of chemical grade methanol per year, using currently flared natural gas as its feedstock.

Industry sources put the total cost of the project at some $240m.

Indonesia plans to sell most of the methanol produced by the plant on the open world market and the balance would be used for the domestic production of formaldehyde, to be used in adhesives in connection with Indonesia's timber and plywood industry.

Lurgi officials said in accordance with Indonesia's desire to include local companies in national projects, it will carry out the construction in conjunction with PT Wahana Muda Indonesia.

Reuter

Japan to make £35m loan to Thailand

TOKYO — Japan has offered Thailand a loan of up to Y15bn (£35.1m) for a natural gas separation project in southern Thailand, the Foreign Ministry said.

The loan will come as part of Japanese credits to help the Thai economy in the current fiscal year to March.

The $320m plant is being built at the port of Sattahip and is due to come on stream in 1983, Thai officials said.

Commercial production of natural gas from the Gulf of Thailand began last September and is being supplied to two power stations in Bangkok.

Reuter

SHIPPING REPORT

Russians pick up tonnage

BY ANDREW FISHER, SHIPPING CORRESPONDENT

AFTER THE reappearance of the Chinese in grain shipments from the U.S. Gulf, the Russians have again picked up some tonnage from the U.S. at low levels.

Denholm Coates reported as an indication of the fluctuations in the dry cargo market, that a 36,000 deadweight ton ship was fixed last week to carry grain from the U.S. Gulf to Europe at exactly the same level of $12 a ton as vessels of 70,000 tons.

On the tanker market, the recent sorry picture for charter rates showed no improvement. Galbraith Wrightson said that around 30 large tankers could be in the Arabian Gulf area in the next 20 days for any fresh business.

With such an imbalance between demand and carrying capacity, the next few weeks were likely to "continue to be unutterably dreary ones for owners," it commented.

It added that there were suggestions that the market could show a spark of improvement towards the end of this month and perhaps for a couple of months afterwards. But it would be impossible, Galbraith added, to give an adequate reason for such thinking.

The current level for VLCCs of up to 250,000 deadweight tons to the West was slightly easier last week at Worldscale 21/22.

Marconi wins $5m computer contract

By James McDonald

MARCONI AVIONICS, a GEC-Marconi Electronics company, has won a $5m contract to create a range of air data computers with which the U.S. Air Force and Navy will re-equip 27 variants of aircraft they operate.

The order has been won against strong competition from major U.S. suppliers of air data systems. Marconi regards it as a "key contract" in terms of promising more U.S. work.

Marconi is to create a range of Standard Central Air Data Computers (SCADC) and the contract involves design, development, prototypes, factory test equipment, documentation and flight test support. The order was placed by the USAF aeronautical systems division at the Wright-Patterson air base, Ohio.

The Rochester, England, instruments systems division of Marconi Avionics is responsible for the new design, while Marconi Avionics Inc, of Atlanta, Georgia, will provide U.S. local support for compatability testing and flight evaluation.

The SCADC aircraft computer programme is aimed at bringing to a common, advanced, standard the variety of air data systems of different generations at present installed on the variants of 10 types of U.S. military aircraft.

These systems provide the data related to airspeed and altitude which are needed for the correct operation of the many kinds of systems on board modern military aircraft.

Cabinet to press Edwardes on sale of BL

BY JOHN LLOYD, LABOUR CORRESPONDENT

THE CABINET will tell Sir Michael Edwardes, BL chairman, to treat the sale of the company's constituent parts back to the private sector as urgent.

The BL corporate plan, submitted by the BL board last week to Mr Patrick Jenkin, Industry Secretary, asks the Government to pay the second tranche of the £900m committed to the company last year.

The board's request follows the collapse of the strike by 58,000 manual workers after two days.

The Cabinet is unlikely to give formal assent to paying the second tranche much before Christmas, but that assent—now that the strike is seen to have been settled on Sir Michael's terms—is regarded as automatic.

But the Government believes strongly that a State-owned car company makes no sense. Only two considerations prevent the Cabinet from ordering its sale immediately.

First, ministers accept they cannot sell an unprofitable company, or unprofitable parts of a company.

Second, they believe BL is still so integrated as a vehicles group that piecemeal sale—even of profitable parts like Range-rover/Land Rover—might prove difficult in practice.

They agree with Sir Michael's strategy of forging links with Honda of Japan. But closer links with Honda or other companies will be scrutinised carefully to determine whether they serve the national interest.

Any move to privatise BL will face vigorous union opposition. Mr Larry Smith, Transport Union national executive officer, yesterday described the proposals as "disgraceful."

Mr Grenville Hawley, national secretary of the union's automotive group, said it was "dangerous" and a "slap in the face" after the sacrifice the men had made in accepting a low pay offer.

Mr Terry Duffy, president of the Engineering Workers, said it was "appalling and disgusting," while Mr Ken Cure, the union's chief negotiator for BL, said: "It is as great a betrayal as anything I have known in the history of our industry."

Mr Smith said the TGWU and the TUC had already called on a future Labour Government to renationalise without compensation.

Mr Duffy said his suspicions had proved correct. It was another example of the Government saying the private sector rather than the state should benefit from anything valuable the nation produced.

Truck and van sales show predicted smaller fall in October

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

THE STEEP FALL in commercial vehicle sales lessened considerably in October. Registrations of commercials, at 19,337, were only 2.8 per cent below the same month last year.

By the end of the first ten months of 1981 commercial vehicle registrations had dropped 21.4 per cent to 185,646, say Society of Motor Manufacturers and Traders statistics.

This is in line with the society's recent forecast that sales this year would drop to about 215,000 against 266,219 in 1980.

The October figures were buoyed up in particular by the purpose-built van market, where registrations at 9,121 were slightly ahead of the 8,541 in October last year.

This was mainly due to Japanese products which continued to increase their penetration in spite of warnings by the Government that sales were reaching unacceptable levels. Shipments from Japan have virtually dried up since August, and eventually this will show itself in the market.

Importers took 36 per cent of the total commercial vehicle market, against 24.9 per cent in the same month last year. In the January-October period the importers' share also rose sharply, from 24.6 to 31.7 per cent.

Sales of trucks and articulated vehicles over 3.5 tonnes held up relatively well, at 4,062 almost exactly the same as a year ago. In the first ten months registrations of heavier vehicles fell more than 30 per cent, from 54,599 to 37,902.

Car-derived van sales fell from 5,953 to 4,588, while the ten-month total declined from 65,660 to 50,180.

Bus and coach registrations were down from 318 to 289, and from 5,209 to 3,875 in the ten months. Four-wheel-drive vehicle sales were up from 1,018 to 1,277, but for the ten months fell from 9,697 to 9,547.

Commercial Court's workload is 'causing concern'

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

THE CONTINUING increase in the workload of the Commercial Court is causing concern, according to the Commercial Court Committee's report for the past legal year.

The court's five judges are trying to deal with the situation by rigorously excluding from their lists all cases that cannot be considered strictly commercial.

The committee welcomes the judges' action, which is designed to ensure the court gives the best service possible to its regular customers.

The committee has established a sub-committee chaired by Mr Justice Mustill to monitor the effects of the 1979 Arbitration Act and to consider any problems arising from it.

The views of interested parties are being canvassed, particularly on such matters as the three-arbitrator rule, reasoned awards, the 21-day time limit for appeals and the question of further appeals to the Court of Appeal.

The sub-committee is also to consider possible amendments to the Act, which might be necessary as a step before consolidating legislation.

The report notes that the Act has been generally welcomed and regarded as a positive contribution to the more efficient disposal of arbitration proceedings.

In the 12 months to July, 446 commercial cases were given trial-dates (as against 416 in the previous 12 months), of which 162 (174) were settled and 157 (125) disposed of by the court.

In the same period, 2,898 sumonses were issued (2,536 in the previous period), of which 2,106 (1,817) were heard by the court, occupying a total 277 (256) judge days.

Reform at Lloyd's urged 12 years ago

By John Moore

LLOYD'S OF LONDON was advised 12 years ago the Acts of Parliament supporting supervision of its insurance market might need amendment to improve its methods of self-regulation.

The advice—in the Cromer Report—was not acted on until last year and then only at the insistence of Sir Henry Fisher, a former High Court judge.

The Cromer report was written by Lord Cromer, a former Governor of the Bank of England, in 1969, more than seven years before the latest crop of scandals and troubles which have beset the Lloyd's market. It was not published.

In the past four years Lloyd's has found it was powerless to intervene in many of the market's troubles. Only towards the end of 1978 did it request Sir Henry Fisher to review its systems of self-regulation.

The failure of Lloyd's to govern its market effectively has attracted criticism in Parliament this year and a greater demand by Parliament that the market should radically reform itself.

The Crome Report was commissioned by Lloyd's. It asked a working party to recommend what could be done to encourage new members to join its market and how the market could expand its capacity.

Lord Cromer said in the report that Lloyd's legislative powers, largely governed by an 1871 Act of Parliament, did not provide for dealing with bodies formed in Lloyd's since establishment of that principal legislation.

Lord Cromer said: "The Lloyd's Acts are primarily concerned with underwriting-members and control of the market is effected primarily through control of under writers.

"This has worked satisfactorily in the past though it would be idle to ignore the fact that it could produce stresses and strains to the extent that brokers rather than underwriters occupy a dominant position in the mar-

He noted that the ruling committee of Lloyd's should be given "clearer disciplinary powers" which "also would require legislation."

This advice was not acted on till a report into the market's self-regulation, commissioned by Lloyd's and prepared by Sir Henry IFsher, repeated the same advice. This was made public in 1980.

Ruling on discount store staff

WEST COUNTRY entrepreneur, Mr Michael Robertson, has won another skirmish in his long battle with Government Departments over National Insurance payments for the 300 workers at his three discount stores in Devon and Cornwall.

The Department of Health and Social Security has said he can continue to regard them as self-employed and need pay no employer's contribution, which could amount to nearly 14 per cent of a fully-employed person's gross wage.

Investment trust dividends warning

INVESTMENT TRUST should not expect higher dividends, Mr John Storar, chairman of the Association of Investment Trust Companies, says in his annual statement published today.

Over the past year, he says, asset value performance had been "generally satisfactory though it is disappointing this has not been fully reflected in recent investment trust share prices, resulting in a deteriorating in the average level of discounts."

He also says the association hopes for talks with Mr Nicholas Ridley, Financial Secretary to Treasury, on ways to encourage investment in new small businesses.

Channel ferry price war forecast

CROSS-CHANNEL ferry prices should show a significant jump in 1982 but French-fleet expansion could cause another price war in a few years, Mr John Cumberland, managing director of the newly merged Hoverspeed, said at the weekend.

He said a battery of new building in France could eventually cause more overcapacity, but he did not think it would erode the position of hovercraft on the market.

Mr Peter Weitzman

IN A REPORT in Saturday's Financial Times it was stated that Mr David Weitzman, QC, acted for the Greater London Council in an Appeal Court hearing against Bromley Borough Council. It was in fact Mr Peter Weitzman, QC.

Economic statemen[t] due after Crosby

BY PETER RIDDELL, POLITICAL EDITOR

THE GOVERNMENT'S public spneding and economic statement looks likely to be made after the Crosby by-election on November 26.

At the same time the key decisions on the level of public-sector borrowing and of taxation for 1982 to 1983 will be left until the spring Budget.

The expenditure statement was always intended to be towards the end of November, but slippage in the Whitehall timetable, and the Crosby by-election has tipped the balance in favour of a later date.

The date of the statement has not yet been fixed, but it seems likely to be in the week beginning November 30.

The main decisions on public spending have yet to be taken as a special Cabinet committee under Mr William Whitelaw, the Home Secretary, examines each department's budget in turn. Spending ministers report that Mr Leon Brittan, the chief secretary to the Treasury, is proving a tougher bargainer than Mr John Biffen, his predecessor.

Signs are that, as ex the Treasury will only in eliminating part excess £3½bn of spending the revised target level f to 1983. National Heal vice charges will probab spending plans on nationalised industries cut back and student gra be cut.

Potentially highly un measures such as ed charges for nursery seem, however, to hav ruled out.

There are still consi differences among m about the largest potenti tributor, the proposed the real (inflation ad value of unemployment b by 4 or 5 per cent.

The defence budget causing serious problem John Nott, Defence Sec has argued that the Tre figures have made insu allowance for inflation, cially affecting defence ment.

Williams softens stance on independent schools

BY MARGARET VAN HATTEM

MRS SHIRLEY WILLIAMS, the *Social Democratic candidate* in this month's Crosby byelection, seems to have relaxed considerably her previous tough stand against private education.

The issue, on which her views have until now appeared far closer to official Labour Party policy than to those of her fellow Social Democrats, threatens to become a major campaign point in a constituency with one of the highest number of independent schools in the country.

In a carefully balanced weekend speech outlining her policy to SDP supporters in Crosby, Mrs Williams did not n *abolishing* private edu but said: "We must b the maintained sector point where parents no feel driven to pay for education."

Some, though not all, schools offered a good tion; some, but not all socially divisive. Paren the right to choose how ucate their children.

"We should seek way tegrate the independe maintained schools, f stance by sharing clas special subjects like the or technical and co studies.

Tory MP says Heseltin[e] Bill 'faces defeat'

BY OUR LOBBY STAFF

A SENIOR Conservative backbencher yesterday warned the Government it faces defeat on Mr Michael Heseltine's controversial Bill to limit local government spending unless it removes provisions to hold referendums before supplementary rates can be levied.

Mr Terence Higgins (Cons, Worthing), said in a BBC radio interview that he would vote against the Bill unless this provision were removed.

Moreover, he believed opposition on the government backbenches was sufficient to defeat the Bill.

The first test on the Bill, which received its first reading last Friday, will come during a Supply Day debate on Thursday when a substantial number of Tories, estimated at between 12 and 20, are expected either to abstain, or to vote against the Government.

Some of these oppose what they consider to be undue interference in local government affairs. Others oppose the use of referendums on other than constitutional issues.

Mr Higgins said yesterday he belonged to the second group. "I believe this proposal for referendums is a very important mistake and I certainly t will be right to vote agai he said.

"I don't think it's th of issue on which it wo right to abstain. It's the l issue where MPs ought t up their minds one way other."

Mr Higgins, a former cial secretary to the Tr is not usually included Tory dissidents and m clear that he did not attempts to curb local g ment spending in princi

But to extend the referendums to tax matt a dangerous principle, h Much would depend on th in which the question w and this was left entir the discretion of the En ment Secretary.

Backbench opposition considerable because the contained in the legi were "half baked" an been introduced withou consultation among benchers.

"I suspect at the mome Government does not ha votes to get this throug therefore I hope they reappraise their policy i light of that fact," he a

Brokers optimistic abou[t] private housing output

BY ANDREW TAYLOR

PRIVATE HOUSING output should increase into the mid *1980s* as interest rates decline *and* demand *for* home ownership increases according to a report today from stockbrokers *Laing and Cruickshank*.

The brokers remain optimistic about the medium term outlook for housebuilders. It adds that some of the recent pessimism about short term prospects also needs to be put into perspective.

Laing and Cruickshank say that projections of household formation indicate that demand for new homes could increase to between 195,000 and 215,000 a year by 1986. Work was likely to have started on between 115,000 and 120,000 new homes in 1981, they say.

Demographic studies suggested that the decline in household formation which characterised the 1970s "has ended and should increase modestly during the 1980s."

Demand for new houses w be fuelled as the numbe couples reaching marriag age increased, and as y single and divorced p sought to own a home. lack of new building in public sector might also b pected to assist the pr housebuilder.

The brokers stress that r unemployment need not n sarily be a bar to an a housing market, alth recovery this year was trated by the rise in bui society mortgage base rate

But the brokers say h prices compared with rise average incomes are che than they have been for se years.

Laing & Cruicksh optimistic view is not share all in the industry. The H builders Federation said it concerned that housebuil activity could fall substant following the hike in mort rates.

Plea on statistics cuts

BY ROBIN PAULEY

PROPOSED REDUCTIONS in Government statistical services could be a false economy, the Royal Town Planning Institute says today.

Sir Derek Rayner, Mrs Thatcher's personal adviser on waste and bureaucracy in Whitehall, has put forward a wide range of proposals for cutting statistical information services. In the Department of Health and Social Security alone he identified 99 areas for cuts which would save the dep ment £1.55m a year by 1985

The RTPI says services t cut elsewhere provided vital formation for central and l government and many o public and private agencies. Rayner review has ignored value of statistics in deci making. Cuts could only re in a deterioration in quality of information av able and less well-infor decisions being taken.

Professor Matthews expounds Clare plan for recovery

Cambridge economists are urging reflation and wage restraint. **David Marsh** reports

"It is unpalatable for the Government to announce that it is changing its basic principles in return for only small benefits. But the change would be worth making as a step in the right direction."

Professor Robin Matthews, Master of Clare College, Cambridge—who has emerged as one of the most weighty academic critics of the Government's economic policies — chooses words of studied mildness to explain where Prime Minister Margaret Thatcher is going, and why he wants more public borrowing to drag the economy out of recession.

He has also recently joined the Social Democratic Party, and may well find himself lending a hand in the formulation of its policies.

The first factor helps to explain why Prof Matthew's criticisms find an attentive ear at the Treasury where other professorial missives are dismissed with smirks of derision.

The second suggests that he will be a man to watch as the SDP campaign to propound the reasonableness of alternative economic policies picks up steam during the run-up to the general election.

The Clare group of economists, which Prof Matthews chairs (the name is a light-hearted academic acronym for Cambridge, London and the rest of England), last month put forward a proposal for a two-stage reflation programme at a total cost of £5bn.

A novel feature of the plan, which emphasises the predominant need to bring down wage inflation to help restore British industry's competitiveness, is that the Government would implement the second stage of the reflation stimulus only if unions responded by accepting lower wage settlements.

"The Government would just inform wage bargainers that if rises came down—it would simply be a matter of looking at the statistics—then there would be tax cuts in the next Budget, and hope in this way to influence the labour market," Prof Matthews says.

The idea of economic expansion linked to pay restraint has already commended itself to Mr *John Horam, MP* for Gateshead West and economic spokesman for the SDP. He has proposed a reflation programme based specifically on the Clare group's suggestions.

Meanwhile, even senior Treasury officials believe that of all the pieces of economic advice with which the Government has been bombarded this year from disgruntled academics, the Clare group's prescriptions are the most sensible.

Interviewed in his study at Cambridge last week, Prof. Matthews—who describes himself as "a reasonable, moderate man" an dwho doodles engagingly while he talks—showed that he does indeed share some key characteristics with Sir Geoffrey Howe, the Chancellor of the Exchequer.

Trevor Humphries

Prof. Robin Matthews, Master of Clare College, Cambridge

He is wary of formal incomes policies of the social contract type—the trouble with the unions is that they "don't deliver." He says he is "very concerned" about the policies of the Labour Party (which he left during the 1960s). "I'm not at all a believer in insulating the British economy from world forces—going back to the days of Stafford Cripps."

Prof Matthews even sees "a certain amount of sense" in the view that the recession has proved useful as a purge to get rid of dead wood. "You can't live in a smooth hoom for ever. Periodic recessions are needed to shake out waste, improve management and change restrictive practices."

Where he takes issue with the Government is in his belief that action must be taken to speed up recovery.

If the recession continues, the danger is not only that industrial capacity will be further eroded which will put a natural dampener on any upturn.

Additionally, he believes, that unemployment, now that it has reached a high plateau, can no longer be relied upon by itself to bring further cuts in wage rises. This is likely to forestall Government hopes of lower inflation leading smoothly to economic recovery.

Prof Matthews favours a package based primarily on a cut in employers' national insurance surcharge, along with increases in spending on public works projects, and a reduction in Value Added Tax (although this last point, he says, would be "a difficult pill for the Government to swallow").

"There has already been some relaxation of some policies. The question is how much and in what areas." The overall Clare group proposals would, the authors calculate, add only £3bn to public-sector borrowing. This is because £2bn of the total cost of £5bn would be recouped through higher taxes and reduced unemployment benefit payouts caused by an expansion of economic activity.

At the same time he believes that a further depreciation of the pound is both likely and desirable in order to back up the impact of slower wage rises on industry's competitiveness.

He is, however, vague on the all important question of how to stop depreciation of the pound feeding through into higher prices and thus triggering off an uncontrolled slide, which would undo the whole anti-inflation strategy.

Prof Matthews suggests that membership of the European Monetary System would be "worth examining." But he apologetically ducks the question of at what exchange rate Britain should join.

He recognises that the reflation measures would have only a limited impact on reducing unemployment. "They would not transform the situation overnight. But the longer output continues to go down, the longer it takes to get back to a given level."

He is not persuaded by the Treasury's line that extra public borrowing would push interest rates even higher, and hence delay a business rebound. He points out that the nominal value of total public sector debt outstanding has fallen sharply since the mid-1960s—thanks to inflation—and that the gilt-edged market should not be unduly alarmed at the PSBR growing in a recession.

He dismisses the Government's arguments that increased public spending "crowds out" recovery. "They are obsessed with a hatred of the public sector that astonishes me. They almost seem to think that crowding out — if taken literally — prevents any recovery at all.

"If Government expenditure crowds out recovery then why doesn't private spending — say private sector stockbuilding — do the same?"

"If Margaret Thatcher said today: 'To hell with the PSBR and the money supply' then the gilt-edged market would obviously drop like a stone." But if the change of course were carried out with somewhat more stealth, the outcome might be different.

He favours a little "massage" of the PSBR figures, by publishing a range of variants with adjustments for inflation, nationalised industry borrowing and the cyclical state of the economy.

"This would make the figures more meaningful rather than less. The Bank of England is already publishing many variants of the money supply figures. Disproportionate importance has come to be attached to statistics which are phoney anyway."

Brokers advise rise in public sector borrowing

BY DAVID MARSH

THE GOVERNMENT is advised today by two leading City stockbrokers to allow public secter borrowing to rise next year above its targeted level to avoid further deflation of the economy.

James Capel and Company in its latest economic assessment says that on unchanged policies, public sector borrowing in the 1982-83 financial year is heading for £13bn compared with the £9.5bn target implied in the Government's medium term financial strategy.

The firm advises the Government to use the 1 per cent rise in employees' national insurance contributions which takes effect later this month to finance a cut in the employers' surcharge. This would give much needed relief to industry, it says.

"Furthermore, rather than attempting to cut the PSBR in 1982/83, it should aim to hold the borrowing requirement at this year's likely outturn of £11.5bn so as not to jeopardise any prospect of growth in late 1982."

Brokers Laing and Cruickshank also suggest a figure of £11.5bn as the likely PSBR for next year. In its economic and monetary review published today it calls on the Government to abandon rigid targets for public borrowing in order to accommodate recessionary pressures which tend to push up the PSBR.

Brokers L. Messel argue that the Government has already succeeded in forcing down sharply the underlying level of public sector borrowing. In the firm's weekly bulletin, it says the 1981/82 PSBR will probably be close to the target of £10.6bn — only 4.2 per cent of gross domestic product, which is less than half the percentage of the mid-1970s.

UK NEWS—LABOUR

Militants reassess after party and union defeats

Philip Bassett looks at the Labour Lefts recent setbacks at conference and on the shop floor

LEFT-WINGERS in the trade unions and the Labour Party have seen the momentum of this summer's campaign to secure the election of Mr Tony Benn as the party's deputy leader abruptly halted by the victories of the right at the party conference and by such defeats as the collapse last week of the BL pay strike.

Spurred on by the legislation against the unions and by economic policies which increased unemployment, the Benn campaign provided the perfect vehicle for the revival of the Left's fortunes, particularly in the unions.

Even though many on the Left took comfort from the fact that Mr Benn was beaten only by a whisker, beaten he was: and this setback was followed by the success of right-wing trade unionists in securing removal of five Left-wingers from the party's national executive committee.

Industrially, the Left had high hopes with the movement of the miners to the front of the pay round, and increasing pressure for co-ordinated responses over public service pay, further buoyed up by the prospect of the BL workers finally saying that enough was enough.

In the event, the miners *started to give every indication* of moving toward a peaceful settlement, while every other bargaining group seemed to hold back to see what happened to everyone else. At BL, the threat to jobs proved too strong to resist.

All this combined to make a weekend conference in Scotland, an area traditionally at the forefront of industrial and political militancy, of the Scottish Labour Co-ordinating Committee, a different, perhaps more realistic event than a similar though far more heady gathering in London in July.

For instance, though the conference committed itself to work for election of a Labour Government, Mr Stuart Holland, the Left-wing MP for Vauxhall, in the midst of a detailed examination of the Left's alternative economic strategy, admitted that he thought the next Labour Government might be the administration after next rather than the one to replace the present Government.

Questions were put more often than answered. Mr Bill Speirs, an assistant secretary of the Scottish TUC, asked why the industrial militancy of the early 1970s had not only failed to manifest itself politically in the late 1970s and early 1980s, but had gone so far as to be unable to prevent the election of a Conservative Government.

Trade Unionists had to confront the questions of their own internal democracy, and of the relationship between incomes policy and free collective bargaining.

They had to examine the relations between the unions and the Labour Party and ask if the level of union involvement was correct, or if not, what should be done; and if it was, what the unions should expect to contribute to and receive from a changed relationship.

Speakers acknowledged that traditionally the unions had always eschewed an overtly political role: the idea of using industrial strength for political purposes had been rejected time after time as not a legitimate tactic.

But such a goal was recognised to be a central one: as Mr Hugh Wyper, the militant Scottish regional secretary of the Transport and General Workers' Union, put it: "Militant mass action for higher wages is an indispensible part of the political fight for the alternative economic strategy and to get rid of the Tory Government."

Failure of just such action at BL was clearly at the forefront of many delegates' minds.

Left-wing literature outside the conference was particularly bitter about the outcome of the BL dispute. Almost all said it was a betrayal of the workers by union leaders.

Speakers at the conference were kinder, though the word "betrayal" was used by one. Mr Wyper pointed out that some 19,000 BL workers, the overall plant vote against the 3.8 per cent offer, opposed the Government's and BL's strategy.

Under the weight of such setbacks, delegates were clear that Right-wingers in the unions and the party would try to capitalise on them, and that opponents of this needed to be ready.

For the Left, some key union mechanisms for such a response are already discredited.

Mr Bob Wright, Left-wing *assistant general secretary of* the Amalgamated Union of Engineering Workers, was sharply critical of the Trade Unions for Labour Victory grouping, orginally set up to work for the return of a Labour Government in 1979.

S. Wales pit closure accepted

By Robin Reeves

MINERS at a South Wales pit have accepted the National Coal Board's decision to seek its closure because of acute underground faulting.

They agreed at a meeting on Saturday not to oppose the closure of Coegnant colliery, near Maesteg. The Board has agreed to transfer the majority of the 390 miners affected to other pits in the area. The rest can seek early retirement.

The Welsh executive of the Mineworkers' Union is due to meet in Pontypridd this morning to discuss the decision. Coegnant miners were the first to strike last February against the Board's proposed closure programme, which included their 100-year-old colliery.

Their action quickly led to a strike throughout the industry and, in days, to the Government's precipitate decision to relax the industry's cash limits.

● The BBC was accused yesterday of "mind-boggling ineptitude" in allowing Mr Arthur Scargill, the Yorkshire miners' leader, to appear on Saturday's Michael Parkinson show during the campaign for the Mineworkers' Union presidency.

Mr John Grant, Labour MP for Islington Central, has written to Sir Ian Trethowan, BBC director-general, to lodge a formal protest.

He said: "when I noticed yesterday that Mr Scargill was to appear on the show, I telephoned the BBC to point out he would acquire a major opportunity to plug his candidacy at peak-viewing time and to the obvious disadvantage of other candidates."

He added: "I find it extraordinary that the BBC, which has a responsibility to maintain fairness and balance, should have allowed itself to be used in this way.

Pay talks this week could set standard for winter round

BY PHILIP BASSETT, LABOUR STAFF

PAY TALKS this week in a number of significant areas, Ford and the oil companies in the private sector, the miners in the public sector, could be a crucial factor in helping form the early shape of the winter pay round.

Perhaps the most important will be the outcome of meetings of shop stewards in the big oil companies over rejection of a series of pay offers worth about 8 per cent, and consequent calling of what is effectively a national strike by the 20,000 tanker drivers and distribution workers from a week today.

The position has been thrown into some doubt by the agreement of BP drivers to accept the offer.

Negotiations covering Ford's 54,000 manual workers resume today with both sides clearly a considerable distance apart.

Mr Ron Todd, Transport and General Workers' Union national organiser, and Ford's leading union negotiator, warned yesterday that he would press for the unions to seek a mandate for industrial action if the company withdrew the 4.5 per cent offer on the table.

While Ford will be keen not to be provocative, it is determined that this year the cost of the pay settlement shall be recouped by increased efficiency. *Withdrawing the offer of* an agreement to such improvements would be a serious step, but one which the company might well be prepared to take.

Mr Todd said that the two sides were "poles apart," and company officials were acknowledging that negotiations could be tough going. The unio[ns in]sist that talks about produ[ctivity] be kept separate from pa[y.] Todd said if the offer wa[s with]drawn then "we would [...] be facing a very serious [situa]tion."

In the public sector n[egotia]tions resume on Wednesd[ay for] the miners after informa[l con]tact between the two si[des at] the weekend.

Both Mr Joe Gormley, [presi]dent of the National Un[ion of] Mineworkers, and Sir [Derek] Ezra, chairman of the Na[tional] Coal Board, attended the [indus]try's annual festival in [Black]pool.

Mr Gormley said he ho[ped to] be able to tell the NUM [execu]tive on Thursday that th[e pre]vious day's talks had pro[duced] an amicable settlement.

The board has offered [...] to cover wage increases f[or the] year, *proposing that* £5[...] put on basic rates, givi[ng an] average rise of 5.3 per [cent,] with £7m spent on raising [...] payments by £1, and £6[...] the unions' other claims.

Considerable bargaini[ng is] expected over such sub[sidiary] aspects of the claim as s[horter] hours, extra *holidays, status and others*. The ou[tcome] of that could dete[rmine] whether the offer on basi[c rates goes] to about 9 per cent, or *into double figures.*

Farmworkers table a [claim] today for a 30 per cent [rise to] bring their average earni[ngs up] to those of other manual [work]ers. The National Uni[on of] Agricultural Workers [says] that productivity on the [land] has risen sharply in 12 m[...]

Seamen ready to extend action on P & O closure

BY OUR LABOUR STAFF

SEAMEN occupying two P & O ferries in protest at the company's plans to close the service between Liverpool and Belfast warned yesterday that they would attempt to disrupt further services today by calling on all P & O crews to support their action.

Union officials are due today to meet crews normally sailing between Fleetwood, Liverpool and Larne, and between Middlesbrough and Gothenburg, Sweden.

Mr Roy Physick, National Union of Seamen convenor on board the two occupied P & O ships in Liverpool docks, the Ulster Queen and the Ulster Prince, said: "We are sitting tight until the management tell us they've changed their minds. There is no way we are going to allow this closure without a fight.

"We will be trying to see the crews of all the other ferries, and if that doesn't work we will call on our colleagues in P & O cruises."

P & O hope to open talks with the NUS, but insisted there would be no concessions: "If the unions agree, we will continue to operate until Wednesday, but after that it's definitely going to close."

Capt Jan Johnsen, a Norwegian shipping consultant, is interested in taking over the route, and it is understood that he is still trying to a[rrange] financial backing. P & [O said] yesterday that it had not [heard] from him for over a we[ek.]

Hundreds of passenger[s were] stranded at the weekend [when] officers and crew of th[e two] ships united to take then[...] The officers are in disput[e over] redundancy pay. The 3[...] men's jobs are in [...] because of the closure. [The] service has been losi[ng an] average of £1.2m a year.

A group of frontbench l[abour] MPs will call on Mr [Jim] Prior, Ulster Secretary, [tomor]row in an eleventh-hour [bid to] save the Ulster ferry ser[vice.]

The deputation will be [led by] Mr Don Concannon, S[hadow] Northern Ireland Secreta[ry, and] will include Mr Stanley C[linton] Davis, MP for Hackney C[entral,] Opposition spokesman o[n ship]ping.

Mr Clinton Davis said "November 11 could be [a day] of disaster for Liverpo[ol and] Northern Ireland, and [a day] when all the efforts of the [...] unions to effect savin[gs of] virtually £1m on the [...] could be thwarted.

"It could be a day too [when] the IRA, without firing [a shot] or exploding a bomb, [could] celebrate a victory more [com]prehensive than any ac[hieved] by all the violence and [...] over the years."

BASE LENDING RATES

A.B.N. Bank	15½%	Grindlays Bank	‡15[...]
Allied Irish Bank	15½%	■ Guinness Mahon	15[...]
American Express Bk.	15½%	■ Hambros Bank	15[...]
Amro Bank	15½%	Heritable & Gen. Trust	15[...]
Henry Ansbacher	15½%	■ Hill Samuel	§15[...]
■ Arbuthnot Latham	15½%	C. Hoare & Co.	†15[...]
Associates Cap. Corp.	16 %	Hongkong & Shanghai	15[...]
Banco de Bilbao	15½%	Knowsley & Co. Ltd.	16[...]
BCCI	15½%	Lloyds Bank	15[...]
Bank of Cyprus	15½%	Mallinhall Limited	15[...]
Bank of N.S.W.	16 %	Edward Manson & Co.	16[...]
Banque Belge Ltd.	15½%	Midland Bank	15[...]
Banque du Rhone et de la Tamise S.A.	16 %	■ Samuel Montagu	15[...]
Barclays Bank	15½%	■ Morgan Grenfell	15[...]
Beneficial Trust Ltd.	16½%	National Westminster	15[...]
Bremar Holdings Ltd.	16½%	Norwich General Trust	15[...]
Bristol & West Invest.	17 %	P. S. Refson & Co.	15[...]
Brit. Bank of Mid. East	15½%	Roxburghe Guarantee	16[...]
■ Brown Shipley	16½%	E. S. Schwab	16[...]
Canada Perm't Trust	16 %	Slavenburg's Bank	15[...]
Cavendish G'ty T'st Ltd.	16 %	Standard Chartered	‖15[...]
Cayzer Ltd.	16 %	Trade Dev. Bank	15[...]
Cedar Holdings	16 %	Trustee Savings Bank	15[...]
■ Charterhouse Japhet	16 %	TCB Ltd.	15[...]
Choulartons	16 %	United Bank of Kuwait	15[...]
Citibank Savings	¶15 %	Whiteaway Laidlaw	16[...]
Clydesdale Bank	15½%	Williams & Glyn's	15[...]
C. E. Coates	16 %	Wintrust Secs. Ltd.	15[...]
Consolidated Credits	15½%	Yorkshire Bank	15[...]
Co-operative Bank	*15½%		
Corinthian Secs.	15½%		
The Cyprus Popular Bk.	15½%		
Duncan Lawrie	15½%		
Eagil Trust	15½%		
E. T. Trust Limited	15½%		
First Nat. Fin. Corp.	18 %		
First Nat. Secs. Ltd.	18 %		
Robert Fraser	16 %		
Antony Gibbs	15½%		

■ Members of the Accepting Hou[ses] Committee.
* 7-day deposits 14%. 1-mo[nth] 14.25%. Short term £8,000 [...] months 16.60%.
† 7-day deposits on sums of £10[,000] and under 13½%, up to £50[,000] 14% and over £50,000 14½%.
‡ Call deposits £1,000 and o[ver] 13½%.
§ Demand deposits 14%.
‖ 21-day deposits over £1,000 15[...]
¶ Mortgage base rate.

BUILDING AND CIVIL ENGINEERING

Norwest Holst wins £12m

A LARGE and varied batch of new work just announced by Norwest Holst includes a triple contract, worth almost £3m, awarded by the Welsh Water Authority. Work affects each side of the River Rhondda for 1.5 km along the river to reduce the risk of flooding in the low-lying area of Gelli.

The river bed and banks will be excavated and 8,000 square metres of steel sheet piling will be used to retain and support the banks, at the same time forming river training walls. A roadbridge and a footbridge will be replaced with new bridges of precast prestressed beams and reinforced concrete construction, and the existing sewer diverted by laying 530 metres of new 1200 mm sewer.

The company's southern region has a £400,000 contract for building a section of river wall on the Thames consisting of steel sheet piles supported by anchors and cased piles with a reinforced concrete capping beam.

An award for miscellaneous civil engineering work in connection with the Anglesey to Stanlow pipeline, Stanlow to Carrington pipeline, and other pipelines with outlaying installations administered from the Stanlow refinery has come from Shell UK Oil.

Hertfordshire County Council has awarded £1.4m for the waste transfer station at Garston, Watford, which includes the construction of a tipping hall, weighbridge, amenity block, drivers toilet block, associated roads, drainage and extensive earthworks.

Work at Mewsbrook, Littlehampton for Arun District Council is worth £1.42m, and involves a 25 metre swimming pool, learner pool, three squash courts, activity areas, changing facilities and a refreshment area.

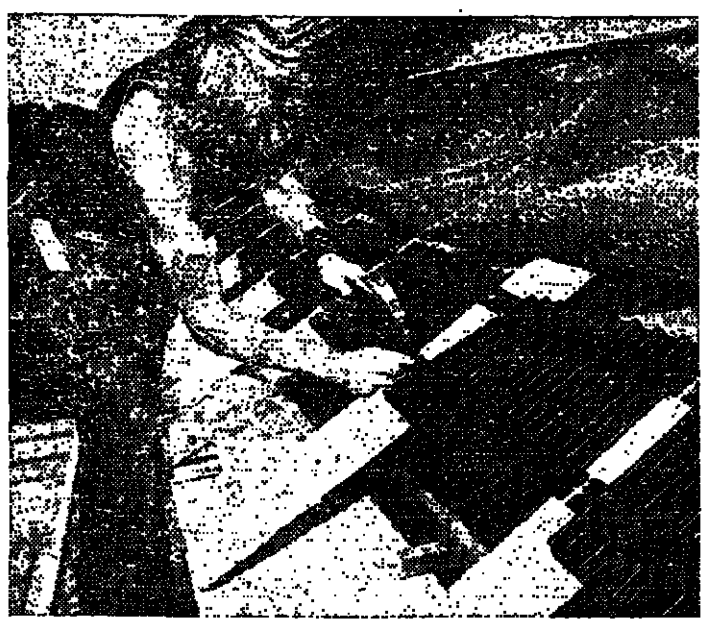
Management contractor, Bovis, has awarded £772,000 for ground works and reinforced concrete frames for an extension to the Watford Head Post Office, Ascot Road, Watford.

At Marsh Lane, Bootle, Merseyside, the company has a £1.054m project to provide 54 dwellings for the Pierhead Housing Association.

A £1.382m design and construct contract by the Commission for New Towns, Corby, covers the building of a new factory and warehouse for the plastics industry.

Two contracts for the London region are a £405,000 job for London and Paris Properties at 16 St George Street, W11, and a £2.3m project for Wandsworth Borough Council. The latter comprises the construction of a leisure pool in sprayed concrete with a wave-making machine, learner pool, changing facilities and a cafe terrace.

Finally, Norwest Holst Australia has a £150,000 contract for road and drainage works for Austen and Batta at the Yellow Rock Colliery.



Resembling standard plastic seedboxes, these space vents have been introduced to combat the danger of collapsing roofs resulting from badly installed loft insulation. The "seedbox" vents promise to eliminate roof condensation probems at around £15 an average home, including fitting, says maker Glidevale Building Products of Sutton-in-Ashfield, Nottingham. Distribution of the product is split between Jevons Fasteners of Wednesbury (021 556 4801) and Willan Hardware (061 973 6262)

McAlpine at Marble Arch

THE CHURCH Commissioners for England have awarded a £9m contract to Sir Robert *McAlpine and Sons for a 30* metres high office block to be built in Connaught Place, near London's Marble Arch.

Work begins immediately after demolition on the 2,800 sq metre site flanked by buildings to the north and west which are to be underpinned.

The company says it will have to excavate some 24,000 cubic metres to a depth of 9 metres before going on to the construction of the eventual 100 by 30 metres on-plan structure which will be air conditioned throughout and served by eight lifts.

Building Design Partnership is the architect, Gardiner and Theobold are quantity surveyors, Lowe and Rodin the consulting engineers, and Chestertons acts as project manager. Completion is scheduled for late 1983.

New road in Botswana

A £6½m CONTRACT to build the *Dumela to Ramokgwebane* Road for the Government of Botswana has gone to Marples Ridgway.

The work involves construction of 76 km of bitumised road, alterations to bridges and provision of a number of culverts.

Sponsored by the International Bank for Construction and Development, the project is expected to be completed in 24 weeks.

John Burrows of Gaberone are the consulting engineers responsible for the design of the scheme.

Renovations worth £9m

THE MODERNISATION or refurbishment of local housing has been worth over £9m to Humphreys and Glasgow Services since April this year. Now, the company announces two new awards collected in the last two weeks which total over £2m.

New work will be in Glasgow for the Queens Cross Housing Association, Firhill Street (£1m plus), and the Parkhead Housing Association, Tollcross Road (£¾m plus); the Alexandra Court contract for the London Borough of Brent, and further work for the city of Newcastle upon Tyne at Throckley—each valued at just under £½m.

Easier step towards home-ownership

EACH TIME the Department of the Environment announces its gloomy statistics on new-housing starts, someone somewhere (invariably young, engaged or just-married) feels more despondent.

The lowest number of private sector starts in peace time recorded since the mid-'20s was in 1980. In that year the public sector starts were 54 per cent lower than in 1979, and that trend will continue.

There is also a major backlog in housing maintenance and improvement, estimated by the Association of Metropolitan Authorities at £14bn. This suggests that each house in current stock must last 500 years!

Apart from the dismal view of less new homes on the horizon, what is available presents problems to first-time buyers who wonder if they can maintain regular mortgage repayments, or even get together the initial deposit on a new home.

Taking an overall, albeit opportunist look, at these problems is the Tyneside-based Bowey Group which fed the idea of a pilot "build for sale" scheme to Newcastle City Council to be implemented at infill sites in the city's Gillies Street, Byker, and Westbourne Avenue, Walker.

Helped by guarantees of 100 per cent mortgages from the Nationwide, this tripartite deal (local authority, builder and building society) is both imaginative and practical and, Bowey believes, could be the forerunner as a problem-solver to other local authorities to ease their own critical housing worries.

What Bowey has achieved—in concert with a visionary local authority—is a concept of inexpensive homes for first-time buyers. The 23 two-bedroomed houses in the pilot scheme cost less than £14,000 each, and applications to buy them have been 10 times over-subscribed.

Individuality

Since the occupants took up residence, they immediately repainted front doors, window frames and so on to their own choice, killing the "council estate" uniformity and proclaiming their vested interest in the properties.

Group director, Ronald Bowey, is unstinting in his praise for the helpful civic co-operation he received, particularly when his Partnerbuild project was in embryo.

"While other local authorities have since accepted the Government's initiative to promote schemes with the private sector of the much-maligned building industry, Newcastle City Council's sympathetic understanding of our concept of partnership must be considered something special."

Although the principle of allowing the company to build private houses for sale on local authority-held land may not have been totally in accord with some council members' political convictions, the council's decision to go forward with the pilot scheme was very heartening.

Using the same construction *techniques and two-bedroom* house style in the Newcastle success, Bowey is building a 60-unit partnership development at Amberley Chase, Killingworth, but with newly-designed 2-bed bungalows and 3-bed houses added.

Its Barnes Court scheme at Hartlepool is now taking shape, but Bowey's most adventurous project will start later this month at Hillhead Road, West Denton, where it will build 100 low cost homes in a new village-style concept.

More from Bowey on 0632 853151.

DEBORAH PICKERING

Finnegan secures £8m

SHEFFIELD-BASED J. F. Finnegan has won a wide range of contracts which together total more than £8m.

Orders of £4¼m-plus have been received for timber framed housing, including 77 dwellings at Werrington for Peterborough Development Corporation, using the MHC system, another 99 dwellings at Stourton, Leeds for North British Housing Association employ the FrameForm system, and a private development of 38 dwellings (out of an eventual 78) at Blackthorn, Northampton. A design and build package for Milton Keynes Development Corporation at Bradwell Common provides 40 new dewellings.

Local authority work is worth around £1m, and covers a new laboratory for Sheffield Regional Blood Transfusion Service, an old people's home at Crookes, and a school extension at Stocksbridge for Sheffield City Council.

In London, the company is building a new teaching block, with a contract value of £1½m, at Dorton House for the Royal London Society for the Blind.

Industrial and commercial work covers a £560,000 deal for factories at Moulton Park for Northampton Development Corporation and other design and build contracts in Chesterfield, worth £1.1m are for extensions to a factory and offices for a *leading sink manufacturer*, a new office, manufacturing and storage complex for a national fitted-kitchen retailer.

The company says that the Milton Keynes scheme, Chesterfield factory, office extensions and kitchen centre, highlight its increasing success with the design and build package.

What's new in building

INTRODUCED FOR use on *economy structures* such as factories, warehouses and retail superstores is a new profiled steel system called Novaclad from H. H. Robertson (UK), Ellesmere Port, South Wirral, Cheshire (051 355 3622).

The company has invested £3m in the development of the product which comprises a coloured polyester weathercoat over an epoxy basecoat, said to combine low direct retention with a high degree of colour fastness.

*

A NEW range of insulating *building blocks which the* maker claims achieves a U value of less than 0.6 w/m2 °C in traditional cavity wall construction and also complies with impending changes in the thermal insulation regulations has been launched by Thermalite, Station Road, Coleshill, Birmingham.

Known as Thermalite Turbo Block, the product is fully loadbearing, includes all the *qualities* of the company's existing range (fire and frost resistance) but is lighter, pro rata, than ordinary aerated concrete blocks, thus increasing the speed of laying.

*

DESIGNED ESPECIALLY to house construction workers in the Middle East are building packs of very low volume for transhipment and speedy site erection without the use of a crane, announces Wyseplan, Carnaby Works, Lancaster Road, Carnaby Industrial Estate, Bridlington, North Humberside (0262 78216).

*

A NEW all-steel, galvanised finished support stand called Shorpod has been introduced by Shorform International, Unit 18b, Birches Industrial Estate, East Grinstead, Sussex (0342 311493).

Thorn Benham £8m awards

PART OF EMI Group of companies, Thorn Benham, has just announced new contracts which together add up to around £8m.

Largest order is worth £6.6m and covers the installation of heating, air conditioning, fire protection services, office lighting and false ceilings at the CTO Site Development, St Martins le Grand, London. This is described as a nine-storey major development, being undertaken near St Paul's Cathedral for the Property Services Agency of the Department of the Environment with management contractor Higgs and Hill.

Other orders include phase 2A of the BBC Shinfield Street, London W12 development, and mechanical services work in the old War Office, hWitehall, also for the PSA.

Laing activities in Spain

REMODELLING A hangar at Barajas Airport, Madrid, a new old age pensions and savings bank, and alterations to a health clinic together make up a total contract value of more than £4m for John Laing's Spanish arm, Laing SA.

Work is already under way at the airport where the hangar floor is being renewed along with installation of new services and construction of a mezzanine. This £2m project from Iberia-Lineas Aereas de Espana includes construction of a new substation for services installations and making a mezzanine between hangars to take new offices.

Also in Madrid will be the new office building for 'La Caixa' (the Old Age Pensions and Savings Bank of Catalonia and the Balearics) constructed at Serrano 60 under a £2m contract.

The third contract is worth £171,000 and involves alterations and refurbishment of the health clinic at Velez, Malaga, for the Ministry of Health and Social Security.

TVS

A copy of this prospectus, having attached thereto the documents specified herein, has been delivered to the Registrar of Companies for registration. Application has been made to the Council of The Stock Exchange for the grant of permission to deal in the whole of the Ordinary Non-Voting Share Capital of Television South plc ("TVS") in issue and now being offered for subscription, and the 14/20 per cent. Subordinated Unsecured Loan Stock 1986/88 of TVS to be issued, in the Unlisted Securities Market. It is emphasised that no application has been made for these securities to be admitted to listing.
This offer for subscription includes particulars given in compliance with the regulations of the Council of The Stock Exchange for the purpose of giving information with regard to TVS. The directors of TVS have taken all reasonable care to ensure that the facts stated herein are true and accurate in all material respects and that there are no other material facts the omission of which would make misleading any statement herein whether of fact or of opinion. All the directors accept responsibility accordingly.

TVS
Television South plc

Incorporated in England under the Companies Acts 1948 to 1976 (Registered Number 1518771)

OFFER FOR SUBSCRIPTION
by Henry Ansbacher & Co. Limited

of 6,029,984 Ordinary Non-Voting shares of 10p each (the "Shares") and of £1,884,370 14/20 per cent. Subordinated Unsecured Loan Stock 1986/88 ("Loan Stock") in units of sixteen Shares and £5 nominal Loan Stock at a price of £9 per unit, payable in full on application

The application list for the Shares and Loan Stock now being offered for subscription will open at 10.00 a.m. on 12th November, 1981, and may be closed at any time thereafter. Following allotment, the Shares and Loan Stock may be transferred separately. The Shares now being offered for subscription rank in full for all dividends hereafter declared or paid on the Ordinary Non-Voting share capital of TVS, and carry entitlement to receive notice of and be present at any general meeting of TVS but do not carry entitlement to vote at any such meeting.

SHARE CAPITAL

Authorised £		Issued and to be issued and fully paid or credited fully paid £
400	Voting Shares of 10p each	400
3,000,000	Ordinary Non-Voting Shares of 10p each	2,432,346

LOAN CAPITAL

Created £		To be issued and fully paid or credited fully paid £
6,000,000	Subordinated Unsecured Loan Stock 1986/88 (interest 14 per cent. increasing to 20 per cent. from 1st November, 1984).	6,000,000

INDEBTEDNESS

At the close of business on 16th October, 1981 TVS and its subsidiaries (which excludes Southern Television Limited) had outstanding indebtedness of £2,186,778. This figure excludes the Temporary Unsecured Loan referred to in Appendix 6, which is to be repaid as mentioned in that Appendix.

Save as disclosed herein and apart from intra group liabilities neither TVS nor any of its subsidiaries had outstanding at that date any loan capital (or term loans) or loan capital created but unissued, mortgages, charges or other borrowing or indebtedness in the nature of borrowing, including bank overdrafts and liabilities under acceptances (other than normal trade bills), acceptance credits, hire purchase commitments or guarantees or other material contingent liabilities. However, your attention is drawn to the projected consolidated balance sheet of TVS and its then subsidiaries as at 1st January, 1982, as set out in Appendix 3.

DIRECTORS

Terence George, Baron Boston of Faversham, Q.C., *(Chairman)*, Barrister
* Keith David Wickenden, F.C.A., *(Deputy Chairman)*, Chairman of European Ferries Limited
* David Andrew Quayle, *(Deputy Chairman)*, Chairman of B & Q (Retail) Limited
Anthony James Gatward, *(Managing Director)*, Television Executive
Anthony Donald Brook, F.C.A., *(Deputy Managing Director)*, Chartered Accountant
Michael Bjorn Blakstad, Television Producer
* Pamela, Baroness Sharples, Farmer
* Blanche Helena Marion Augusta Lucas, Solicitor
* Ernest Guy Libby, Company Director
John Arthur Fox, Television Executive
Graham Frederick Duncan Sheridan Shaw, Television Executive
Malcolm Ian Truepenny, J.P., Television Executive
all of Television Centre, Southampton, Hants. SO9 5HZ

* Non-executive Director

Secretary and Registered Office
Anthony Donald Brook, F.C.A.,
Television Centre, Southampton, Hants. SO9 5HZ

Stockbrokers
Capel-Cure Myers,
Bath House, Holborn Viaduct, London, EC1A 2EU and at
The Stock Exchange

Solicitors to the Company
Theodore Goddard & Co.,
16 St. Martin's-le-Grand, London, EC1A 4EJ

Solicitors to the Offer
Herbert Smith & Co.,
Watling House, 35-37 Cannon Street, London, EC4M 5SD

Solicitors to the Loan Stock Trustees
Simmons & Simmons,
14 Dominion Street, London, EC2M 2RJ

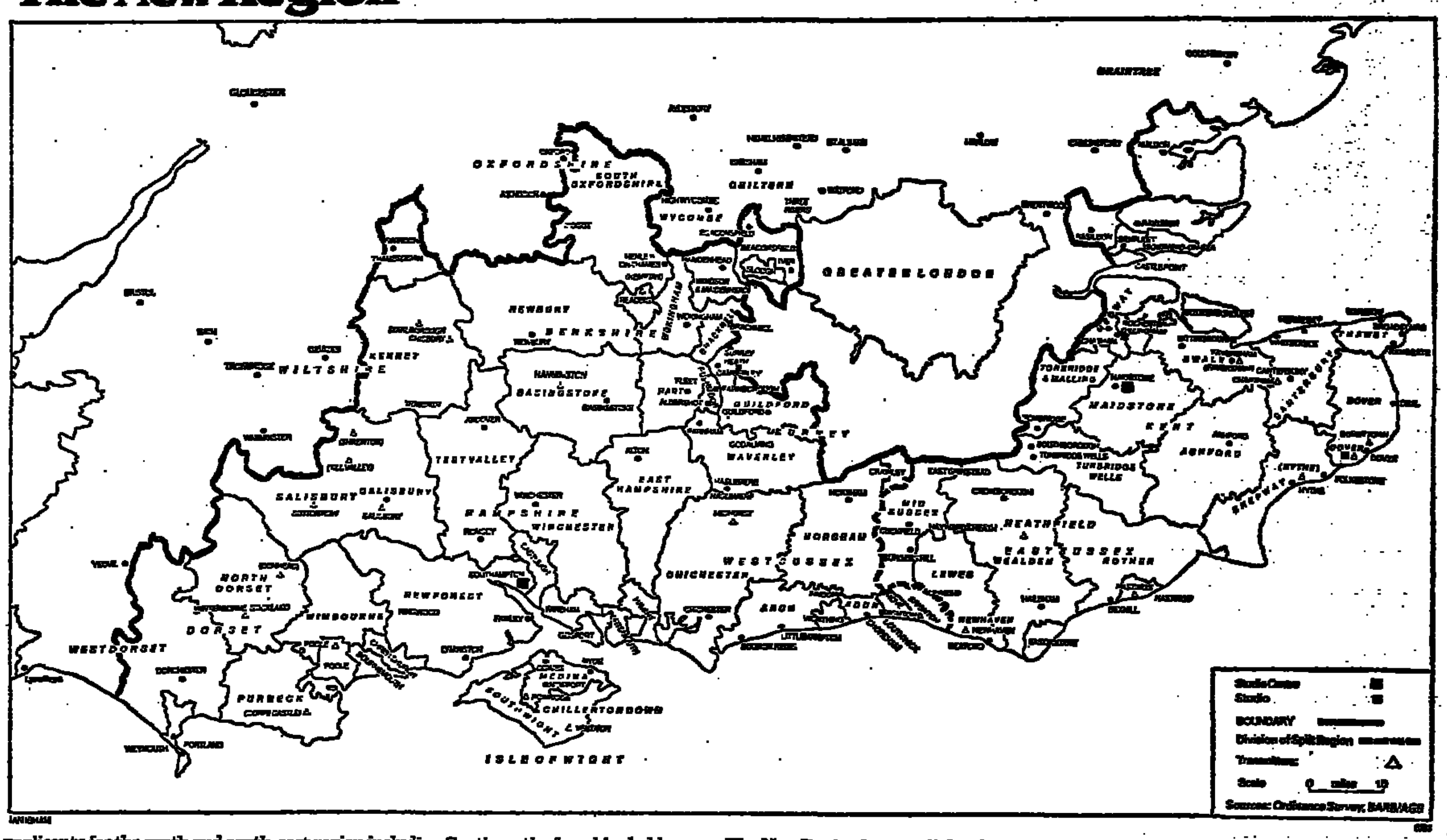
Auditors and Reporting Accountants
Peat, Marwick, Mitchell & Co.,
1 Puddle Dock, Blackfriars, London, EC4V 3PD

Bankers
Barclays Bank Limited
46 Park Lane, London, W1A 4EE

Receiving Bankers, Registrars and Transfer Office
Lloyds Bank Limited
Registrar's Department, Issue Section, 111 Old Broad Street,
London, EC2N 1AU and
Lloyds Bank Limited
Registrar's Department, Goring-by-Sea, Worthing, West Sussex, BN12 6DA

Trustees of the Loan Stock
Alliance Assurance Company Limited,
1 Bartholomew Lane, London, EC2N 2AB.

The New Region



PRINCIPAL DEFINITIONS

In this document, save where the context otherwise so requires, the following expressions shall bear the following meanings:

TVS	Television South plc (formerly Precis Fourteen Limited)
TVS Group	TVS and its subsidiary companies
SSEC	South & South-East Communications Limited (the company which originally made the successful application for the Independent Broadcasting Authority programme contract for the south and south-east of England on 9th May, 1980), a subsidiary of TVS
TVS Music	Ashrib Limited, name in course of change to TVS Music Limited
Blackrod	Blackrod Limited
Southern	Southern Television Limited
Ansbachers	Henry Ansbacher & Co Limited
Voting Shares	Voting Shares of 10p each in TVS
Shares	Ordinary Non-Voting Shares of 10p each in TVS
Loan Stock	14/20 per cent. Subordinated Unsecured Loan Stock 1986/88
the Offer	the Offer for Subscription for Shares and Loan Stock by Ansbachers on behalf of TVS.
IBA	Independent Broadcasting Authority
New Region	the new Independent Television dual region of the south and south-east of England as defined by the IBA and operative from 1st January, 1982
the IBA contract	the draft programme contract for the south and south-east of England offered to SSEC by the IBA on 28th December, 1980
the Agreement	the Agreement, dated 24th April, 1981, for the sale of the share capital of Southern to SSEC or its nominee
ITV 1	the existing Independent Television channel
Channel 4	the Independent Fourth Television channel which is intended to commence broadcasting towards the end of 1982

The following information concerning the TVS Group has been given by the directors of TVS to Ansbachers for the purpose of the Offer:—

INTRODUCTION

On 28th December, 1980, major changes in Independent Television were announced. In a letter to Lord Boston, Chairman of TVS, Lady Plowden wrote on behalf of the IBA:

"I am very glad to tell you that the Authority has decided, subject to contract, to offer your group the programme contract for the South and South-East England area from 1st January, 1982. In reaching this decision, the Authority considered that your group had a Board and programme makers of particular promise, and that it should be given the opportunity to meet the challenge of a dual centre region during the next franchise period."

This offer, to the group headed by Lord Boston, followed submissions to the IBA, on 9th May, 1980, of applications for the programme contract. In all there were seven applicants for the south and south-east region including Southern, the franchise holder since 1958 when the first contract for the Southern Independent Television region was awarded.

HISTORY

TVS was incorporated as a private company on 25th September, 1980 and re-registered as a public company on 14th September, 1981. On 6th August, 1981 TVS acquired SSEC (Material Contract (vii)), the company through which the group headed by Lord Boston had made the successful application to the IBA. Most of the group had gained their experience while working for the BBC or ITV network companies. In addition, Oliver, Lord McGregor of Durris, Dennis Charles Rowland and Dennis Vance were actively involved in its development and were promoters of TVS. These three promoters are not involved in TVS other than as shareholders.

The present contractor for the existing southern television region is Southern, a private company, incorporated in England on 8th October, 1957 under the Companies Act, 1948 to carry on the business of an independent television programme contractor. Following the award of the IBA contract and negotiations on behalf of SSEC with the shareholders of Southern, agreement was reached on 24th April, 1981 whereby a right to purchase the share capital of Southern was obtained. A summary of the main terms and conditions of this agreement (Material Contract (iii)) is set out in Appendix 4. Included in the terms of the Agreement are arrangements for Southern to fund the payment of dividends by the creation of a bank overdraft which TVS will re-finance by an overdraft provided by its bankers.

The recognition of local interests was a central feature of the group's application to the IBA for the New Region and a substantial proportion of the original investors were accounted for by companies and individuals connected with the New Region. TVS is setting up a Charitable Trust ("the Trust") as a company limited by guarantee, whose board of governors will be chaired by Baroness Sharples, a non-executive director of TVS, and it will have the aim of funding arts, sciences, recreational and community projects throughout the New Region. The Trust will derive its revenue from TVS which will enter into a deed of covenant to provide the Trust with an annual fixed sum of £100,000 from 1st January, 1982, onwards, together with a sum equal to 15 per cent. of any dividends declared by TVS. Drafts of the Memorandum and Articles of Association of the Trust and the deed of covenant between TVS and the Trust are available for inspection as stated in Appendix 7.

THE NEW REGION

The New Region covers an area of over 7,000 square miles, extending from Weymouth in the west to the North Foreland in the east, to Oxfordshire in the north and Maldon in Essex and will comprise some six million inhabitants. The economy of the New Region is made up of a variety of both established and developing industries and some of the most valuable agricultural land in the country. The industrial base covers operations from oil production in Dorset to factories manufacturing high technology products, whilst the agricultural sector includes the valuable horticultural activities of Kent as well as the arable and livestock farms of Hampshire. The New Region is supported by thriving service industries and, as the nearest point to Europe, has well-developed export and import facilities.

The attraction of the New Region to advertisers is evident from the type of people who live in the region. It has a greater percentage of higher (ABC1s) socio-economic groups (43 per cent.) than the national average (32 per cent.). The people of the region have more money to spend; the average weekly expenditure by a home in the New Region based on latest available 1979, statistics is £93.95 compared to £87.16 for the UK as a whole; 98 per cent. of adults have some form of saving compared to 91 per cent. in the UK as a whole; and 33 per cent. have a credit card (26 per cent. for the UK as a whole). The New Region has a well-developed retail structure to cater for this spending power.

A requirement of the IBA contract, the terms of which are summarised in Appendix 8, is the operation of two studio centres, one for the south and one for the south-east. The south-east regional studio centre, which TVS is building at Maidstone, is intended to provide a significant number of programmes for its own area independent of the rest of TVS's output. This requires the appointment of additional executive staff to ensure that the studio centre there can provide a satisfactory programme service.

The existence of these facilities in south-east England will provide an opportunity for TVS to focus its productions for the south-east of England more closely on that part of the New Region. As part of the creation of the New Region, the IBA's transmitters at Bluebell Hill and Pembury have been added to those serving the former region. These transmitters cover the Medway towns and the Tunbridge Wells district and this will increase the viewing population served by TVS.

BUSINESS

The primary source of income for an independent television programme contractor is the sale of advertising time during broadcasting hours. This income is referred to within the television industry as Net Advertising Revenue ("NAR") which represents the revenue received by the contractors after advertising agency commissions have been paid. The total NAR for the independent television industry over the past six years has been as follows:

	1975	1976	1977	1978	1979	1980
£m	176.5	230.8	299.9	363.0	347.0†	529.3

† Figures reflect the strike in autumn 1979, when ITV companies were off the air.

In the nine months ended 30th September, 1981, the NAR reported was £406.5 million representing an increase of 8.7 per cent. on the comparable period in 1980.

The share of total NAR attributable to the existing southern region is estimated to be 8.5 per cent., and it is expected that this share will increase by virtue of the reallocation of IBA transmitters in Kent to the New Region from 1st January, 1982. Other potential sources of revenue include the sale of programmes to other programme contractors, to other television companies around the world and to the expanding video-cassette and videogram markets. TVS intends that its revenue will be derived from these activities.

The IBA contract, which is for a period of eight years to 31st December, 1989, grants TVS a right and imposes a duty to provide television programmes to be broadcast in the New Region by the IBA via its transmitters. In addition to providing a service to nearly five million viewers in the New Region, TVS intends to provide programmes to be broadcast under the TVS logo throughout the United Kingdom on the IBA broadcast network, including the new Channel 4. However, as can be seen from the illustrative projections on the following page, the amount which TVS is required to contribute towards the cost of the Channel 4 service (including the Welsh service) will exceed the revenue anticipated from Channel 4 by TVS.

TVS will initially have three operating subsidiaries in addition to Southern:—

(a) *SSEC:*
the company which applied for and was offered the IBA contract, and which carries on the business of television and film programme production.

(b) *Blackrod:*
a company acquired by TVS (see Material Contract (v)). Blackrod carries on the business of producing programmes for management, educational and promotional purposes, specialising in the fields of science and technology and providing a service to

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television and industry generally. It was formed by Michael Blakstad and Michael Rodd, both of whom have had considerable experience in producing and presenting programmes and films in specialised fields.

Blackrod is currently producing a major series of programmes tracing the history and background of the spice trade, called "The Spice of Life", in association with a substantial industrial company abroad. TVS believes that Blackrod will prove a valuable source of high quality films and programmes which can be used by TVS, distributed to the network and sold to the television industry worldwide.

(c) *TVS Music:*
which will act as a music publisher, principally of music to be composed for TVS programmes.

Southern will become a wholly owned subsidiary of TVS, under the terms of Material Contract (iii), on 1st January, 1982. It is intended that its name will be changed to TVS Television Limited. Its facilities at Southampton will complement the new studio complex being built at Maidstone. Currently, Southern employs some 640 people, most of whom will remain with Southern.

TVS BOARD

The board comprises 12 members, the Chairman, six executive and five non-executive directors, and set out below are brief details of the Chairman and executive directors:—

Lord Boston *(Chairman)*, aged 51, is a barrister and has lived in or near the region all his life. Following seven years of broadcasting with the BBC, firstly in the news department and subsequently as a producer of current affairs programmes, he was Member of Parliament for Faversham from 1964 to 1970 and has held ministerial appointments including Minister of State, Home Office. He is currently Opposition Spokesman on Home Office Affairs in the House of Lords.

James Gatward *(Managing Director)*, aged 43, has lived in the region for almost ten years, but, through family connections, has had a much longer association with the region. He has worked in the television industry since 1957. In 1959 he went to Canada and gained experience in establishing a new commercial television service, in which he directed a wide range of programmes. From 1966 on his return to the United Kingdom, until 1971, he produced and directed many acclaimed television series and single plays for both the BBC and many ITV companies, including "The Trouble Shooters", "The Misfit" and "The Talking Head". In 1971, he undertook the production of "Elephant Boy", a filmed series shot in Sri Lanka, which required the creation of a complete production unit. This was the first of a successful series of co-production drama projects including "The Outsiders", "The Golden Soak" and in association with Southern "The Famous Five". During the whole of this period he remained the sole executive director of the production company.

Anthony Brook *(Deputy Managing Director)*, aged 45, is a chartered accountant and until March 1981 was general manager and finance director of ITC Entertainment Limited, a subsidiary of Associated Communications Corporation Limited. Prior to that between 1975 and 1978 he was director of finance of the IBA. Over a period of some 15 years he has acquired considerable knowledge of, and expertise in, the television and entertainment industries. In addition to his role as deputy managing director, he is finance director and company secretary.

Michael Blakstad *(Director of Programmes)*, aged 41, was, until recently, an executive producer with the BBC where he produced amongst other programmes "The Burke Special", was editor of "Tomorrow's World" and an originator of the series "The Risk Business". His interest in science and technology programmes led him to form, in 1980, a new company, Blackrod, which specialises in the production of programmes for industrial and commercial concerns, both for management, educational and promotion purposes.

John Fox *(Director of Sales and Marketing)*, aged 46, joined Southern as a sales executive and became sales controller in 1976, a position which he still holds. He has 21 years' experience of selling advertising time on television in the region.

Graham Shaw *(Director of Engineering and Technical Operations)*, aged 43, was latterly field service manager for Sony Broadcast Limited. Prior to that between 1964 and 1968, he had been chief engineer of the Caribbean Broadcasting Corporation, which he helped to establish in its early years, and between 1968 and 1971 was head of operations at Yorkshire Television.

Malcolm Truepenny *(Director of Production Operations)*, aged 50, joined TVS from ATV Network Limited where from 1968 onwards he was assistant controller with specific responsibilities for financial control administration, overall studio planning and studio services and staff welfare.

The executive directors and the chairman have entered into service contracts with TVS, in some cases for five years and in others for eight years. Details of these contracts are given in Appendix 7.

PROGRAMME PLANS

News and current affairs will be at the heart of TVS programmes, serving the two areas of the New Region with more than 400 hours per year of local and regional programming. *Coast to Coast* will be the major programme, a nightly news programme produced from Southampton and Maidstone, providing viewers with an hour of current affairs aimed to meet the needs of the early evening audience, and with local news for both the south and south-east areas.

Controller of news and current affairs will be Robert Southgate, a former editorial executive of the Sun newspaper, who then worked for Thames Television as a presenter of Thames at Six and subsequently worked on TV Eye, Thames Report and Thames News. Other current affairs output will include *Seven Days*, a series of 13 weekly programmes, covering regional issues with a strong element of investigative reporting and *Just Williams*, a series of half-hour programmes by Peter Williams, an award-winning TV journalist.

Science and industry is a particular field in which TVS will specialise, and Michael Rodd, currently a presenter of the BBC's "Tomorrow's World", will head a team producing programmes such as *The Real World*, a popular science series with a strong journalistic approach, featuring the failures as well as the successes of the new technological revolution and the likely impact on daily life of the new technologies.

In the afternoons, TVS aims to meet the needs of the increasing audience with a weekly series, provisionally entitled *Not for Women Only* which, as the name suggests, seeks to extend the horizon of daytime television.

Wider coverage of sport in the south and south-east is planned with a regionally based hour-long weekend sports programme, together with a regular weekly half-hour regional sports magazine, and eight half-hour programmes of *Summer Sport* next year.

TVS will reserve a "protected" hour for younger viewers each weekday and on Saturday mornings a 90-minute live entertainment show, which as with all of TVS's programmes for children and young adults will be under the control of Anna Home. She was formerly executive producer of Jackanory at the BBC Children's Drama Unit, where she was also responsible for creating the award-winning school series Grange Hill as well as several other drama series. The young adult audience will have their own daily drama serial, a teenage "soap opera" set in a pop radio station, and production has begun at the Southampton studios of a new family game show *On Safari*. Among other major programmes being made for the opening months of the new service is a contemporary children's serial *The Haunting of Cassie Palmer*, adapted by Alfred Shaughnessy, which is being made on location in East Sussex.

Music will continue to have a high priority on TVS, not only with the recording of two productions from the current season of the Glyndebourne Festival Opera—Rossini's *The Barber of Seville* and Benjamin Britten's *A Midsummer Night's Dream*—but also, for example, with a series of rock concerts recorded on location in the New Region. Head of music will be Herbert Chappell who has composed more than 150 scores for stage, films and television and has written, directed and produced a number of award-winning music programmes for the BBC.

Future programme plans are under consideration and include a filmed action-adventure series and a strong emphasis on drama aimed at adult audiences. The majority of the productions of science and industry, music and drama are also intended to be sold in the new and expanding market in video cassettes and videograms, and cable and satellite television.

STUDIO AND TECHNICAL FACILITIES

As part of its programme commitment to ensure a balanced service to the two parts of the New Region, TVS will have two major studio complexes, one in Maidstone and the other in Southampton. These will give TVS a production capability to satisfy not only the needs of the New Region, but also to provide programmes for the ITV network and Channel 4. The TVS Group will be well placed to take advantage of the new opportunities afforded by videograms, cable, satellite broadcast and the overseas market.

The studio complex at Southampton, which is being acquired with Southern, provides two operational studios, of 558 and 279 square metres, and the site is being extended to accommodate more modern facilities. The Maidstone complex now being built at Vinters Park will become operational from the end of 1982, providing a modern and sophisticated production centre with two studios, of 186 and 558 square metres, and facilities to produce a wide range of programmes. TVS is also converting The Plaza Cinema in Gillingham into a television theatre, of 400 square metres, with facilities for audience shows, and this will be operational in readiness for the TVS service commencing on 1st January, 1982. A number of live programmes will be produced from Gillingham during the opening weeks of TVS transmission. TVS will also take over the existing small studio of Southern in Dover, providing 110 square metres, where the south-east local news and regional magazine programmes will be produced initially.

Three outside broadcast units will be available, all equipped with video recorders. The microwave link department will have four self-contained vehicles, augmented by two remote-controlled fixed-receive stations, with the means to connect directly with the main IBA outside broadcast network.

Both the south and south-east parts of the New Region will be served by a full news department and a total of 12 fully equipped news teams able to give comprehensive coverage of the New Region. In addition to the news film facilites, there will be three complete feature film crews supported by a photographic stills department and feature film cutting rooms.

WORKING CAPITAL

Based on the available financial resources, as summarised in Appendix 6, the directors of TVS are of the opinion that the TVS Group will have adequate working capital for its present requirements.

PROFITS, PROSPECTS AND DIVIDENDS

Illustrative projected profit and loss accounts and a balance sheet together with their principal underlying assumptions, are set out below. For the purposes of these illustrative projections no dividend payments have been assumed and, based on these illustrative projections, TVS would not be in a position to pay dividends until 1983 at the earliest. However, it is the intention of the directors to recommend payment of a dividend once accumulated losses have been recouped provided this is not prohibited by any legislation at the time.

In the application to the IBA it was specified that dividend policy would be to distribute not more than 50 per cent. of net profits after taxation.

RISK FACTORS

The directors of TVS stress that the illustrative projections set out below should on no account be taken as forecasts and should be read in conjunction with the principal assumptions and notes accompanying the projections. Prospective investors in TVS should recognise that a venture of this nature carries a number of attendant risks which could have an adverse effect on profits and cash requirements. In the opinion of the directors of TVS, the most significant of these are as follows:—

1. Although the IBA has expressed its intention of awarding to a member of the TVS Group the IBA contract, the terms of which have been agreed in principle, in common with all other independent programme contractors, the IBA contract remains to be finalised;
2. TVS was incorporated in September, 1980 and has no trading record. The TVS Group will become the independent television programme contractor for the New Region and in addition the new Channel 4 and Breakfast Television services are scheduled to commence in November, 1982 and May 1983 respectively. These factors will all affect the trading results of TVS which cannot be fairly compared with the historic trading results of Southern and consequently the estimates of revenue and expenditure included in the projections are difficult to verify particularly because the amounts relating to NAR and TVS's share thereof may differ from those embodied in the assumptions underlying the projections;
3. The projections assume that there will be no interruption of broadcasting through industrial disputes or otherwise; and
4. The projections assume that the building works for the studio complex at Maidstone will be completed in the latter part of 1982 in accordance with budgeted cost.

ILLUSTRATIVE PROJECTIONS

The principal bases and assumptions used in these illustrative projections are as follows:—

1. The projections have been prepared under the historical cost convention.

2. Revenue expenses have regard to published industry figures for 1980 increased by 12 per cent. to reflect the rate of inflation in 1981.

3. Inflation is assumed to apply evenly to revenue and expenditure at 10 per cent. per annum for 1982-1985.

4. Total NAR for ITV1 is assumed to be £585 million in 1981, £644 million in 1982 and to increase in real terms by 2 per cent. per annum in 1983 and thereafter at 4 per cent. per annum. The TVS share of NAR is estimated to be identical to Southern's estimated share and the addition of the Bluebell Hill transmitter and the Tunbridge Wells relay transmitter in 1982 is estimated to increase this share to 9.2 per cent. The estimated NAR loss to TVS in respect of the breakfast television service is £0.6 million in 1983 adjusted thereafter proportionately with NAR.

5. (a) The net increase in NAR resulting from Channel 4 from 1983 is assumed to be £45 million increasing by 4 per cent. per annum thereafter in real terms. The TVS share of this income will be 10 per cent.
(b) The TVS Channel 4 Subscription for 1982 will be £9.2 million, £4.6 million payable in 1982 and the balance of £4.6 million will be payable in five equal annual instalments thereafter. Channel 4 subscriptions for 1983-85 have been based on the 1982 reference level of £9.2 million adjusted for inflation. The subscription has been written off as the payments fall due.

6. Other income is derived from overseas sales of programmes and Independent Television Publications Limited. Like all other Independent Television programme contractors the TVS Group will hold shares in, and receive a share of profits from, this company.

7. (a) The IBA rental payable by TVS will be calculated on an annual basis of £3.9 million adjusted by the appropriate movements in the Retail Price Index for 1981 and for inflation as above thereafter.
(b) There will be no change in the basis of calculating IBA levy from that announced by the Home Secretary on 22nd July, 1981. The IBA levy has been calculated as 66.7 per cent. of the relevant income less relevant expenditure. For this purpose interest receivable or payable is excluded; and an allowance of the greater of £650,000 or 2.8 per cent. of NAR is given against relevant income.

8. It is estimated that the television staff complement will be 840 from 1st January, 1982.

9. Bank overdraft interest is charged at 1.25 per cent. over base rate. The following base rates will prevail: 1981—13½ per cent. (average), 1982—16 per cent., 1983—13½ per cent., 1984 and 1985—12 per cent.

10. The levels and rates of taxation, both direct and indirect, will not change materially. Taxation has been provided at an effective rate of 55 per cent. after taking account of estimated revenue losses.

11. The TVS Group's buildings will not be disposed of within the foreseeable future and accordingly no deferred taxation provision is required thereon.

12. Dividends are excluded. The terms of the draft Deed of Covenant require an additional 15 per cent. of dividends paid, to be paid to the Trust.

13. TVS's accounting reference date has not yet been finally decided.

In arriving at the assumptions for NAR as set out above the directors of TVS have been advised by Peat, Marwick, Mitchell & Co., Management Consultants; however the illustrative projections and their underlying assumptions are the sole responsibility of the directors of TVS.

ILLUSTRATIVE PROJECTED PROFIT AND LOSS ACCOUNTS FOR THE YEARS TO 31st DECEMBER

	1981	1982	1983	1984	1985
	£m	£m	£m	£m	£m
Income:					
Net advertising revenue	—	59.20	70.29	80.40	91.98
Other income	—	1.80	2.19	2.41	2.65
	—	61.00	72.48	82.81	94.63
Expenditure:					
Revenue expenses	3.50	41.98	47.64	51.79	56.61
IBA rental	—	5.20	5.72	6.29	6.92
Channel 4 subscription	—	4.60	11.04	12.05	13.17
Deed of covenant	—	0.10	0.10	0.10	0.10
Depreciation	—	1.72	1.91	1.02	1.14
Interest (net)	0.15	1.38	2.03	1.00	0.73
Exchequer levy	—	2.83	1.55	4.99	8.91
	3.65	57.81	69.99	77.24	87.58
Profit/(loss) before taxation	(3.65)	3.19	2.49	5.57	7.05
Taxation	—	—	1.12	3.06	3.88
Profit/(loss) after taxation	(3.65)	3.19	1.37	2.51	3.17

ILLUSTRATIVE PROJECTED BALANCE SHEET AT 31st DECEMBER, 1985

Assets employed	£m	£m
Fixed assets		10
Current assets	22	
Less current liabilities	11	
		11
		21
Financed by		
Share Capital and Reserves		15
14/20 per cent. subordinated unsecured loan stock		6
		21

APPENDIX I ACCOUNTANTS' REPORTS

ACCOUNTANTS' REPORT ON TELEVISION SOUTH plc

The following is a copy of a report from Peat, Marwick, Mitchell & Co., auditors of Television South plc:

The Directors, Television South plc
The Directors, Henry Ansbacher & Co. Limited

6th November, 1981.

Gentlemen,

Television South plc ("TVS") was incorporated in England on 25th September, 1980 as a private company limited by shares and on 14th September, 1981 re-registered as a public company pursuant to the Companies Act 1980.

On 6th August, 1981 TVS purchased the whole of the issued share capital of South & South-East Communications Limited ("SSEC"), which company had been awarded the conditional Independent Broadcasting Authority programme contract for the South & South-East region with effect from 1st January, 1982, and of Blackrod Limited ("Blackrod"), a programme production company, part of the issued share capital of which was owned by SSEC at that date. TVS and its subsidiaries are collectively referred to as "the TVS Group". SSEC and Blackrod were incorporated in England on 4th January, 1980 and 12th March, 1980 respectively.

We have audited the balance sheet of TVS at 31st May, 1981 (at which date TVS had not commenced trading) and the combined profit and loss account and combined statement of net liabilities of the companies which now make up the TVS Group for the periods from the companies' respective dates of incorporation to 31st May, 1981 in accordance with approved Auditing Standards. The accounts and combined statements set out below include such adjustments as we consider appropriate.

In our opinion the accounts of TVS and the combined statements, which have been prepared on the basis of the accounting policies set out below, together with the notes thereon, give a true and fair view of the state of affairs of TVS at 31st May, 1981 and of the combined loss of the TVS Group for the periods then ended and of the combined state of affairs of the TVS Group at 31st May, 1981, on the basis of the TVS Group as presently constituted.

No audited accounts of TVS or any of its subsidiary companies have been made up in respect of any period subsequent to 31st May, 1981.

BALANCE SHEET OF TVS AT 31st MAY, 1981

	Notes	£'000
Assets employed		
Cash at bank		322
Creditors and accruals		(126)
		196
Financed by		
Share capital	5	196

COMBINED PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED 31st MAY, 1981

	Notes	£'000
Turnover	1(b)	111
Operating costs		828
Loss before taxation	2	717
Taxation	3	—
Loss after taxation		717

COMBINED STATEMENT OF NET LIABILITIES 31st MAY, 1981

	Notes		£'000
Fixed assets	4		656
Current assets:			
Programmes, film rights and work-in-progress	1(d)		20
Debtors and prepayments			89
Construction costs recoverable	7		420
Cash at bank and in hand			507
			1,036
Current liabilities:			
Creditors and accruals			691
Advance billings			146
Bank loan and overdraft (secured)	6		1,429
			2,266
Net current liabilities			(1,230)
Net liabilities			(574)

NOTES ON THE ACCOUNTS

1. Accounting policies

(a) Basis of preparation:
The accounts have been prepared under the historical cost convention on the normal going-concern basis in the light of financing arrangements made subsequent to 31st May, 1981.

(b) Turnover:
Turnover represents the total amount receivable for goods and services provided during the period, net of value added tax.

(c) Depreciation:
Depreciation on fixed assets is provided over their estimated useful lives on a straight line basis at the following annual rates:—

Freehold land	Nil
Leasehold improvements	4 per cent. or 10 per cent.
Technical equipment	12½ per cent.—15 per cent.
Fixtures and other equipment	12½ per cent.—15 per cent.

(d) Programmes, film rights and work-in-progress:
Untransmitted programmes and film rights are valued at direct cost, less provision in respect of material which will not be transmitted or resold or where otherwise considered appropriate. The cost of own production and film rights are wholly written off on the first transmission. Work-in-progress has been valued at cost plus attributable profit less foreseeable losses and is stated after deducting progress payments received and receivable.

2. Loss before taxation

Loss before taxation is arrived at after charging:—

	£'000
Depreciation	8
Interest payable:—	
Bank loan and overdraft	35

3. Taxation

No taxation charge arises for the period as a result of losses incurred by the TVS Group.

4. Fixed assets

	Freehold land	Leasehold improvements	Technical equipment	Fixtures and other equipment	Total
	£'000	£'000	£'000	£'000	£'000
Cost:— Additions	536	66	13	29	664
Depreciation:— Charge for the period	—	(4)	(2)	(2)	(8)
Net book value:— At 31st May, 1981	536	62	11	27	656

5. Share capital

Since 31st May, 1981 the authorised share capital of TVS has been increased to £3,000,400 divided into 4,000 voting shares of 10p each and 30,000,000 ordinary non-voting shares of 10p each.

At 31st May, 1981 the following shares were issued and fully paid:

	£
1,440 voting shares	144
1,960,000 ordinary non-voting shares	196,000
	196,144

6. Bank loan and overdraft

A bank loan amounting to £1,289,281 was secured on the assets, property and undertaking of TVS and SSEC plus cash deposits provided by third parties. Since 31st May, 1981 this loan has been repaid and the TVS Group has obtained secured facilities with another bank. The bank overdraft was secured on the assets of Blackrod.

7. Construction costs recoverable

At 31st May, 1981 SSEC had incurred expenditure on the construction of a television studio complex at Maidstone, Kent and on the provision of an outside broadcast unit. Both these projects are to be funded by leasing facilities. At 31st May, 1981 costs incurred on these projects and their respective estimated total cost to completion (exclusive of VAT) are as follows:—

	Cost at 31st May 1981	Total estimated project cost
	£'000	£'000
Television studio complex	364	9,105
Outside broadcast unit	56	518
	420	9,623

8. Proposed acquisition

On 24th April, 1981 SSEC entered into an agreement with the shareholders of Southern Television Limited ("Southern") under which it is proposed to purchase the entire share capital of Southern on the terms set out in the agreement. The purchase consideration is estimated at £4.16 million of which £1.50 million is payable within 3 days of Southern's December, 1981 accounts being agreed.

Yours faithfully,
PEAT, MARWICK, MITCHELL & CO.
Chartered Accountants.

ACCOUNTANTS' REPORT ON SOUTHERN TELEVISION LIMITED

The following is a copy of a report from Peat, Marwick, Mitchell & Co., auditors of Southern Television Limited:

The Directors, Television South plc
The Directors, Henry Ansbacher & Co. Limited

6th November, 1981

Gentlemen,

We have audited the accounts of Southern Television Limited ("Southern") and of its subsidiary companies for the periods relevant to this report in accordance with approved Auditing Standards. We consider it inappropriate for consolidated statements to be included as Southern is required to dispose of its investments in subsidiaries and certain other assets prior to completion of the Agreement dated 24th April, 1981. We have been auditors of Southern for all relevant periods.

The summarised statements of profit and loss accounts, balance sheet and statements of source and application of funds set out below, are based on the audited accounts after making such adjustments as we consider appropriate.

In our opinion these summaries, which have been prepared on the basis of the accounting policies set out below, together with the notes thereon, give a true and fair view of the profits of Southern and of the source and application of funds for the period stated and of the state of affairs of Southern at the date stated.

No audited accounts of Southern have been made up in respect of any period subsequent to 31st October, 1980.

PROFIT AND LOSS ACCOUNTS OF SOUTHERN

	Notes	52 weeks ended 29th October, 1976	28th October, 1977	27th October, 1978	26th October, 1979	53 weeks ended 31st October, 1980
		£'000	£'000	£'000	£'000	£'000
Turnover	2(b)	16,483	23,189	29,061	24,633	45,795
Income from continuing trade						
Profit before exchequer levy		6,156	8,716	11,269	5,272	16,383
Interest receivable		179	300	326	553	655
Exchequer levy		(3,552)	(5,280)	(7,070)	(3,050)	(9,960)
Profit before taxation	3	2,783	3,735	4,525	2,775	7,078
Taxation	4	1,502	2,048	2,587	1,560	3,980
Profit after taxation		1,281	1,687	1,938	1,215	3,098
Income from assets to be sold						
Dividends and other income from and provisions against subsidiaries, associated companies and listed investments, net of taxation	9	33	96	253	200	(203)
		1,314	1,783	2,191	1,415	2,895
Dividends payable		1,100	1,400	1,700	1,375	2,350
Retained profit		214	383	491	40	545

BALANCE SHEET AS AT 31st OCTOBER, 1980

	Notes	£'000	£'000
Fixed assets	6		8,394
Trade investments			77
			8,471
Current assets			
Programme, film rights and stocks	7	4,714	
Debtors		6,007	
Cash on short term deposit		2,300	
		12,921	
Current liabilities			
Creditors		6,070	
Tax payable within 12 months		2,458	
Bank overdraft		1,098	
		9,626	
Net current assets			3,295
Corporation tax payable (over 12 months)			(1,097)
Deferred taxation	8		(2,776)
Net assets to be retained			7,893
Assets to be sold	9		3,339
			11,232
Representing:			
Share capital			2,500
Reserves	5		8,732
			11,232

STATEMENTS OF SOURCE AND APPLICATION OF FUNDS

	52 weeks ended 29th October, 1976	28th October, 1977	27th October, 1978	26th October, 1979	53 weeks ended 31st October, 1980
	£'000	£'000	£'000	£'000	£'000
Source of funds:—					
Profit before taxation	2,783	3,735	4,525	2,775	7,078
Income from investments before taxation	33	113	311	248	(509)
Adjustment for items not involving the movement of funds:—					
Depreciation	653	767	864	1,013	1,169
(Profit)/loss on disposal of fixed assets	(13)	(7)	(2)	37	64
(Profit)/loss on disposal of listed investments	1	(58)	(194)	(161)	(132)
(Profit)/loss retained in associated companies	—	—	(41)	—	4
Total generated from operations	3,457	4,550	5,463	3,912	7,674
Funds from other sources:—					
Proceeds from disposal of fixed assets	17	27	15	21	154
Proceeds from sale of listed investments	—	102	506	572	572
Decrease in trade investments	—	—	7	4	—
Application of funds:—					
Purchase of fixed assets	(177)	(369)	(400)	(984)	(1,594)
Purchase of listed investments	(179)	—	(491)	(574)	(788)
Dividends paid	(1,100)	(1,400)	(1,700)	(1,375)	(2,350)
Tax paid	(596)	(1,206)	(2,004)	(2,073)	(2,130)
Increase in investment in subsidiary and associated companies	—	—	—	(467)	(1,318)
Increase in trade investments	(14)	(3)	—	—	—
	1,408	1,799	1,396	(964)	240
Increase in programmes, film rights and stocks	117	1,052	295	445	1,941
Increase/(Decrease) in debtors	646	(337)	315	(1,123)	3,654
Decrease/(Increase) in creditors	(270)	(374)	(1,353)	920	(2,639)
Increase/(Decrease) in cash and short term deposits and decrease in overdrafts	915	1,458	2,139	(1,206)	(2,716)
	1,408	1,799	1,396	(964)	240

NOTES ON THE ACCOUNTS

1. Basis of consolidation

Profits, assets and liabilities of the subsidiaries have not been consolidated as Southern is to dispose of these prior to completion of the Agreement dated 24th April, 1981.

2. Accounting policies

(a) Basis of preparation of the accounts—The accounts are prepared under the historical cost convention, except for fixed assets which in the main are included at valuation.
For these purposes Southern's fixed assets are valued at the period ends on the basis described in Note 6, and depreciation for the accounting periods determined by reference to the valuations at those dates.
The surplus of valuations over net book values at the valuation date is taken direct to capital reserve, net of the appropriate taxation.

(b) Turnover—Turnover consists of net advertising revenue together with receipts from the sale of programmes and facilities, and revenue from TV Times.

(c) Depreciation—Depreciation is calculated on cost or valuation mainly on a straight line basis, at the following annual rates:

Buildings	5 per cent. per annum on valuation
Technical equipment and fixtures and fittings	12½ per cent. per annum on valuation except for items over six years old on which depreciation is provided at 10 per cent. per annum on valuation.
Motor vehicles	20 per cent. per annum on cost

No depreciation is provided on freehold land.

(d) Programmes, film rights and stocks—Untransmitted programmes and film rights are carried forward at direct cost subject to provisions in respect of material which will not be transmitted or resold or where otherwise considered appropriate. The cost of own production and film rights are wholly written off on first transmission. Stocks are valued at the lower of cost and net realisable value.

(e) Deferred taxation—Following the introduction of Statement of Standard Accounting Practice 15 deferred taxation is provided using the liability method on timing differences and revaluation surpluses to the extent that it is considered that the liability will crystallise within the foreseeable future. This policy has been applied retrospectively to the periods under review.

3. Profit before taxation

Profit is after charging/(crediting) the following:—

	52 weeks ended 29th October, 1976	28th October, 1977	27th October, 1978	26th October, 1979	53 weeks ended 31st October, 1980
	£'000	£'000	£'000	£'000	£'000
Depreciation—freehold buildings	141	162	174	235	265
—technical and other equipment	492	578	651	724	870
—motor vehicles	20	27	39	54	64
	653	767	864	1,013	1,189
Hire of equipment	69	69	61	1	1
(Profit)/loss on disposal of fixed assets	(13)	(7)	(2)	37	64
Income from Independent Television Publications Limited	—	—	(205)	(175)	(348)
Special supplementary contribution to pension fund	150	—	—	—	—

4. Taxation

	1976	1977	1978	1979	1980
Corporation tax at 52 per cent.	1,690	2,059	2,804	1,717	2,982
Deferred tax	(188)	(11)	(217)	(157)	998
	1,502	2,048	2,587	1,560	3,980

5. Reserves

Movements during each period were:—

	1976	1977	1978	1979	1980
Balance brought forward	4,315	5,386	4,337	5,537	7,176
Retained profit for period	214	383	491	40	545
Revaluation surpluses net of taxation	857	968	709	1,599	1,011
Capitalisation of reserves	—	(2,400)	—	—	—
Balance carried forward	5,386	4,337	5,537	7,176	8,732

6. Fixed assets

The technical equipment and fixtures and fittings have been revalued at the balance sheet date to estimated replacement cost by reference to relevant Central Statistical Office price index numbers at that date after deducting depreciation on the basis set out in 2(c) since the date of acquisition.

Freehold and long leasehold land and buildings at Southampton and Dover have been valued at the balance sheet date by Messrs Sidney and Graham Motion, Chartered Surveyors, on an existing use basis by reference to net replacement cost. The gross valuation figure given in the table below for freehold land and buildings represents the existing use basis valuation, added to the aggregate depreciation which has been charged to profit and loss account for periods to 31st October, 1980.

There were commitments for capital expenditure at 31st October, 1980 of approximately £100,000. Capital expenditure authorised but not contracted for amounted to £ Nil.

TVS TVS TVS

TVS TVS TVS

Fixed assets at 31st October, 1980 comprised:—

	At valuation	At cost	Depreciation	Book value
	£'000	£'000	£'000	£'000
Freehold and long leasehold land and buildings	6,900	—	1,533	5,367
Technical and other equipment	7,931	—	5,110	2,821
Motor vehicles	—	331	125	206
	14,831	331	6,768	8,394

Freehold land and buildings contains long leasehold land and buildings the amount of which is considered to be immaterial.

7. Programme, film rights and stocks
At 31st October, 1980 these comprised:—

	£'000
Originated programmes	2,685
Film rights	1,727
Sundry stocks	302
	4,714

8. Deferred tax
At 31st October, 1980 this comprised:—

	£'000
Timing differences and revaluations of technical equipment	1,490
Timing differences in respect of originated programmes	1,286
	2,776

The contingent liability for corporation tax on chargeable gains on disposal of properties at their revalued amounts, less capital losses, was £1,441,000 at 31st October, 1980.

9. Assets to be sold
At 31st October, 1980 these comprised:—

	£'000
Subsidiary companies — shares at cost less provision	151
— amounts due by subsidiaries	1,640
Associated companies — shares at cost	5
— Southern's share of post-acquisition retained profits	32
Listed investments at cost	1,511
	3,339

It is proposed that these assets will be sold at fair market value, estimated to be £4.2 million as at 31st October, 1980 prior to completion of the Agreement dated 24th April, 1981.

10. Contingent liabilities
At 31st October, 1980 Southern had guaranteed, up to a limit of £180,000, its share of a bank overdraft facility of Independent Television News Limited. The contingent liability for deferred taxation is given in Note 8.

Yours faithfully,

PEAT, MARWICK, MITCHELL & CO.
Chartered Accountants.

APPENDIX 2
PRO FORMA CONSOLIDATED BALANCE SHEET

The following pro forma consolidated balance sheet, which is provided for illustrative purposes only, reflects the projected balance sheet of the TVS Group at 1st January, 1982 after including the estimated assets and liabilities of Southern which will be acquired pursuant to the Agreement:

	£m	£m
Assets employed		
Fixed assets		*10.10*
Investments		0.35
Current assets		
Debtors	6.36	
Programmes, film rights and stocks	4.85	
	11.21	
Current liabilities		
Creditors	4.35	
Corporation tax	4.29	
Bank overdraft	1.38	
	10.02	
Net current assets		1.19
Purchase consideration payable to shareholders of Southern		(4.16)
		7.48
Financed by		
Share capital		2.44
Share premium		2.69
Profit and loss account—deficit		(3.65)
Shareholders' funds		1.48
Loan stock		6.00
		7.48

Notes:
1. Net proceeds of shares and loan stock issued or to be issued are estimated at £11.13 million.
2. The following assets to be acquired from Southern are included at the considerations provided in the Agreement as follows:

	£m
Freehold land and buildings	5.50
Technical equipment	2.85
Film rights	2.30
Investments	0.10
	10.75

3. The corporation tax liability shown above is in respect of estimated taxable profits arising in Southern during the period 1st November 1979 to 31st December, 1981.
4. No provision for deferred taxation has been made as the directors do consider that any liability will crystallise in the foreseeable future.

APPENDIX 3
SUMMARY OF THE DRAFT IBA CONTRACT

The principal provisions of the draft IBA contract are to the following effect:—

1. The Contractor (which will be TVS or a subsidiary of TVS) will be appointed a television programme contractor and will have the right and be subject to the duty to provide programmes to be broadcast by the IBA on ITV from stations serving the New Region on each day of the week for not less than 13½ hours between 9.30 a.m. and midnight. The Contractor may not without the consent of the IBA provide programmes for broadcasting on ITV from the said stations between midnight (or such later time as may from time to time be agreed by the IBA) and 9.30 a.m. To the extent that the Contractor, with IBA approval, provides programmes for broadcasting before 9.30 a.m. the IBA is entitled to increase the fee payable by the Contractor.
2. The Contractor will also have the right to provide advertisements to the IBA for inclusion in programmes broadcast by the IBA on Channel 4 from the stations mentioned above.
3. The IBA contract is for a term commencing on 1st January, 1982 and continuing until 31st December, 1989 but may be terminated by the IBA:—
   (a) if, without its consent, any change takes place in the persons having control over or interests in the Contractor which, if it had occurred before the IBA contract, would, in the IBA's opinion, have induced it to refrain from entering into the IBA Contract; or
   (b) in certain other circumstances set out in the draft contract, principally involving any change in the voting shareholders of TVS or the involvement of voting shareholders or persons having a material financial interest in TVS in other television programme companies or prescribed activities as defined in the contract; or
   (c) if any change takes place affecting the nature or characteristics of the contractor; or
   (d) on the occurrence of any of the usual events of default.
4. The IBA contract may be terminated by the Contractor:—
   (a) on three months' notice,—
      (i) *if the IBA shall fail for any reason (otherwise than the default of the Contractor or force majeure) to* broadcast on ITV from any of the stations serving the New Region the programmes provided by the Contractor for periods exceeding in the aggregate 5 per cent. of the regular hours for broadcasting from that station in any period of six consecutive calendar months; or
      (ii) if by reason of the failure of the IBA to maintain the technical characteristics of the station the Contractor shall be prevented from continuing to provide programmes to the IBA efficiently or shall be able to do so only at a substantially reduced profit or at no profit or at a loss or at an increased loss; or
      (iii) if any material reduction shall be made to the hours of broadcasting notified by the IBA to the Contractor;
   (b) on 12 months' notice if the aggregate annual rate of fee for Channel 4 and the Welsh Channel 4 be increased to an aggregate rate exceeding more than one-half of the rate payable on 1st January next following the commencement of broadcasting on Channel 4, such fees being adjusted for cost of living increases.
5. (a) The Contractor will pay to the IBA, as from 1st January, 1982, a fee *at the rate of* £5.9 million per annum adjusted in accordance with half-yearly increases in the General Index of Retail Prices as provided in the Contract.
   (b) The Contractor will from 1st January, 1982, and as long as the IBA provides or proposes to provide Channel 4, make payments to the IBA of Channel 4 Subscriptions, payable by monthly instalments on the last day of each calendar month, of an amount to be notified to the Contractor of £1.6m for the year to 31st December, 1982 and thereafter to be notified in the autumn in respect of each succeeding calendar year.
   (c) The Contractor will also make additional payments to the IBA of amounts based normally on an accounting year of the Contractor of twelve months equivalent to 66.7 per cent. of the profits for an accounting year which exceed £250,000 or exceed 2 per cent. of the advertising receipts for the accounting period. Advertising receipts are defined by the IBA Contract, which also defines profits as the excess of relevant income over relevant expenditure as defined in the IBA Contract.
6. In the event of the Contractor being a subsidiary of TVS, the obligations of the Contractor under the IBA Contract will be guaranteed by TVS.

APPENDIX 4
SUMMARY OF THE AGREEMENT FOR THE PURCHASE OF SOUTHERN TELEVISION LIMITED

Under this Agreement (see Material Contract (iii)) dated 24th April, 1981, SSEC has the option to require Associated Newspapers Group Limited, Rank Organisation Limited and D.C. Thomson & Co. Limited ("the Vendors") to sell and the Vendors have the option to require SSEC to purchase the entire share capital of Southern. These options are exercisable on 30 days' prior written notice to expire on 31st December, 1981.

The purchase price will be the net asset value of Southern at 31st December, 1981 as shown by the audited accounts at that date with land and buildings, television technical equipment, film rights after 31st December, 1981, investments in associated ITV companies and film library, flattage and computer costs valued for this purpose at £10,750,000 in the aggregate.

The accounts of Southern will be prepared at 31st December, 1981 and SSEC's accountants have the right to review these accounts by the later of 7th March, 1982 or within seven days of the availability of the audited *December, 1981 accounts. The purchase price becomes payable (subject as mentioned below) with accrued interest* from 31st December, 1981 three days after completion of a satisfactory review.

The amount of the purchase price payable for Southern will not be determined until its accounts to 31st December, 1981 have been agreed by SSEC's accountants as above or, in default of agreement, determined by arbitration. The payment of certain parts of the purchase price may be deferred as provided in clause 6 of the Agreement, and the balance of the purchase price (presently estimated at £1.30 million) will be payable (together with accrued interest from 31st December, 1981) within 3 days of the 1981 accounts being agreed.

The Agreement contains provisions relating to operational arrangements during 1981, notably consultation over film purchasing. A committee of two managing directors and two finance directors has been set up to facilitate implementation of operational arrangements, such as access by SSEC to the accounts and records, facilities and personnel of Southern prior to 31st December, 1981. SSEC can also use the facilities of Southern prior to 31st December, 1981 on a daily costing charge.

The Agreement stipulates that the overdraft of Southern will not exceed £3.06 million at 31st December, 1981.

There are certain conditions precedent such as the granting of the IBA Contract to SSEC and the Vendors being released from all guarantees of the overdraft of Southern. Prior to 31st December, 1981, Southern will dispose of Southern Pictures Limited which has the benefit of all completed programmes produced by Southern, the Beaumont Group of Companies, Southstar Limited, Out of Town Lymington Limited, its joint venture interest in glass-walled squash courts, its portfolio of equity securities, the lease of 58 Frith Street, London W.1. and other assets or liabilities unrelated to the business of making and transmitting television programmes.

Southern are entitled to pay an amount equal to the legally distributable reserves at the end of 31st December, 1981 to the shareholders at that date and for this purpose, the Vendors will retain until after distribution a class of Special Deferred Shares whose sole rights are to entitle them to this payment.

APPENDIX 5
PARTICULARS OF THE LOAN STOCK

The £6,000,000 14/20 per cent. Subordinated Unsecured Loan Stock 1986/88 (the "Stock") of Television South plc (the "Company") has been created by a resolution of the board of directors of the Company and will be constituted by a Trust Deed (the "Trust Deed") in favour of Alliance Assurance Company Limited (the "Trustees") as trustees for the holders of the Stock (the "Stockholders"). The Trust Deed will contain provisions (*inter alia*) to the following effect:—

1. Interest
Interest will be payable on the Stock at 14 per cent. per annum in respect of the period 12th November, 1981 to 31st October, 1984 (both dates inclusive) and at 20 per cent. per annum in respect of the period 1st November, 1984 to 31st October, 1988 (both dates inclusive) such interest will be paid less taxation by equal half-yearly instalments on 30th April and 31st October in each year, except that the first payment of interest on the Stock to be made on 30th April, 1982 will be in respect of the period from 12th November, 1981 to 30th April, 1982 (both dates inclusive) and will amount to £6.52 (less taxation) per £100 nominal of Stock.

2. Redemption and purchase
   (a) Any Stock not previously redeemed or purchased by the Company will be repaid on 31st October, 1988 at par together with interest accrued up to and including that date.
   (b) The Company will be entitled, on giving not less than three months' previous notice in writing to redeem the whole or any part (to be selected by drawings or at the Company's option as nearly as may be pro rata to holdings without involving fractions of £1 of the Stock) of the Stock on or at any time after 31st December, 1986, at par together with interest accrued up to and including the date of redemption.
   (c) The Company or any subsidiary may at any time purchase Stock:—
      (i) on any recognised Stock Exchange at any price; or
      (ii) by tender (available to all Stockholders alike) at any price; or
      (iii) by private treaty at a price (inclusive of accrued interest but exclusive of all costs of purchase) not exceeding 10 per cent. above the average of prices at which business was transacted (calculated by reference to The Stock Exchange Daily Official List) on the previous seven dealing days;

but not otherwise.
All Stock redeemed or purchased in accordance with any of the foregoing provisions shall be cancelled.

3. Subordination
   (a) In the event of the winding-up of the Company the claims of the Stockholders will be postponed in the manner to be provided in the Trust Deed to the claims of all other creditors of the Company (except any other indebtedness which by its terms is subordinated (to the satisfaction of the Trustees) in right of *payment to the claims of other creditors of the Company so as to rank pari passu in point of subordination* with or junior to the Stock) and any amounts payable in respect of the Stock will be received by the Trustees on trust to apply the same, first in payment or satisfaction of the costs, charges expenses and liabilities incurred by the Trustees (including any unpaid remuneration); secondly, to the extent which will be specified in the Trust Deed, in payment of claims of the other such creditors (except as aforesaid) outstanding at the commencement of or arising by virtue of the winding-up to the extent that such claims are admitted in the winding-up and are not satisfied out of the other resources of the Company; thirdly, in or towards payment, *pari passu* and rateably, of the principal moneys and premium (if any) and interest owing upon the Stock and any other indebtedness which by its terms is subordinated (to the satisfaction of the Trustees) in such a manner and upon such terms as to rank *pari passu* with the Stock in point of subordination; fourthly, in or towards payment of any principal, premium (if any) or interest owing upon any other subordinated indebtedness the claims in respect of which have been admitted in the winding-up and have not been satisfied in full out of the other resources of the Company (if any); and fifthly, in payment of any balance to the Company or the liquidator on its behalf.
   (b) The Trustees will be entitled (to the exclusion of the Stockholders) to take proceedings for the winding-up of the Company in the event of the Stock becoming repayable in order to recover amounts owing in respect of the Stock but no other remedy will be available to the Trustees or the Stockholders to recover such amounts.

4. Obligatory transfers of stock

[illegible]

5. Limitations on borrowings

[illegible]

6. Restriction on change of nature of the business of the company and the subsidiaries

[illegible]

7. Restrictions on the company and the subsidiaries

[illegible]

8. Issue of further stock

[illegible]

9. Modification of rights

[illegible]

10. Indemnification and payments

[illegible]

11. Transfer

[illegible]

12. Definitions

[illegible]

   (f) deducting (if not otherwise excluded) any undistributed profits and reserves attributable to the interest of the Company or any of the subsidiaries in an associated company not being a subsidiary;
   (g) excluding any amounts attributable to any assets leased by the Company or its subsidiaries;
   (h) making such other adjustments (if any) as the Auditors consider appropriate.

"subsidiary" means any company which is for the time being a subsidiary within the meaning of Section 154 of the Companies Act 1948 of the Company.

"the IBA" means the Independent Broadcasting Authority.

"the Programme Contract" means any IBA television programme contract for the south and south-east England area granted or to be granted to the Company or a subsidiary and any other IBA television programme contract granted to or to be granted to the Company or a subsidiary.

A draft of the proposed Trust Deed (subject to modification) is available for inspection as stated in Appendix 7 below.

APPENDIX 6
TVS FINANCING

Banking facilities
TVS has arranged with Barclays Bank Limited ("Barclays") an overdraft facility of initially up to £5.06 million rising on a seasonal basis in the latter half of 1983 to £7.50 million, to provide working capital by replacing the anticipated overdraft of Southern. This facility is secured by debentures granting a first fixed and floating charge over the assets of TVS and SSEC, and a guarantee by TVS of SSEC's liability.

Lease finance
TVS has arranged leasing facilities of £15 million in total with Lombard North Central Leasing Limited ("Lombard") (Material Contract (xi)) in respect of the television studio complex being built at Maidstone, the fixed plant and machinery to be installed there and miscellaneous studio equipment and outside broadcast vehicles. Arrangements have also been made with Barclays for interim finance by way of overdraft to fund the construction of the studio complex at Maidstone, pending drawdown of the Lombard facility.

Share capital and temporary unsecured loan
Between 3rd April, 1981 and 3rd August, 1981 TVS raised £204,152 by the allotment of Voting Shares and Shares at par to certain of the promoters, directors and executives. On 28th August, 1981 TVS raised a further £3,843,935 before expenses by way of a placing of Shares at 25p per share, Voting Shares at par and a Temporary Unsecured Loan of £768,750. A further 400,000 Shares were issued for cash at par to Mr. D. Rowland on 30th October, 1981 pursuant to Material Contract (vi). On 6th November, 1981 Shares and Loan Stock were allotted to certain individuals and companies who subscribed a further £1,904,000 in cash. Details of these subscriptions are set out in Appendix 7.

The Temporary Unsecured Loan is an arrangement whereby four principal investors (European Ferries Limited, London Trust Company Limited, Friends' Provident Life Office and British Car Auctions Limited) provided finance to TVS until the subscription of the Shares and Loan Stock as described in this document. The Temporary Unsecured Loan represented 25 per cent. of the nominal value of the Loan Stock to be issued to the four investors. The Temporary Unsecured Loan bears interest at 13 per cent. per annum calculated on a day to day basis and is repayable on two weeks' notice by TVS. The Temporary Unsecured Loan is not transferable. The four principal investors will apply the proceeds of the repayment of the Temporary Unsecured Loan towards their subscription of £3,075,000 Loan Stock.

APPENDIX 7
STATUTORY AND GENERAL INFORMATION

Share capital
On 3rd April, 1981 at an extraordinary general meeting of TVS resolutions were passed to reorganise and increase the authorised share capital of the Company by the creation of 440 Voting Shares of 10p each and *2,000,000 Shares of 10p each and the splitting of the existing authorised 100 Ordinary Shares of £1 each into 1,000* Voting Shares of 10p each.

On 8th June, 1981, at an extraordinary general meeting of TVS a resolution was passed to increase the number of authorised Voting Shares to 4,000 and the number of authorised Shares to 24,000,000.

On 30th October, 1981, at an extraordinary general meeting of TVS a resolution was passed to increase the number of authorised Shares to 30,000,000 and new Articles of Association were adopted. The meeting also authorised that the remuneration of the non-executive directors of TVS should be such a sum, not exceeding £30,000 per annum, as shall be determined from time to time by the board to be divided amongst such non-executive directors in such proportions as the board may from time to time determine.

Following the allotment of share capital outlined in this document and the proposed allotment of Voting Shares to the Trust the authorised and issued share capital of TVS will be as follows:

Authorised		Issued and fully paid or credited fully paid
£		£
400	in 4,000 Voting Shares of 10p each	400
3,000,000	in 30,000,000 Ordinary Non-Voting Shares of 10p each	2,432,346

Since 25th September, 1980 there have been the following issues of Shares and Voting Shares:—

On 3rd April, 1981 1,420 Voting Shares and 1,260,000 Shares were issued to certain directors and executives at par; on 23rd June, 1981 allotments of 40,000 Shares at par were made to each of Lord McGregor and Dennis Vance; on 3rd August, 1981 allotments of 40 Voting Shares at par were made to each of two directors; on 28th August, 1981 1,880 Voting Shares were subscribed at par and 12,300,000 Shares were subscribed at 25p per Share by European Ferries Limited, London Trust Company Limited and associates, British Car Auctions Limited and Friends' Provident Company Life Office; on 7th August, 1981 44,640 Shares were issued credited fully paid to M. B. Blakstad and M. Rodd as part of the consideration for the acquisition of Blackrod; on 30th October, 1981 400,000 Shares at par were issued to D. C. Rowland; on 2nd November, 1981 certain companies and individuals who had supported the original application to the IBA were invited to subscribe 1,708,440 Shares at 25p each and applications, which have been accepted by TVS, were received in respect of 1,708,440 Shares; and on 6th November, 1981 1,800,000 Shares were allotted to Industrial and Commercial Finance Corporation Limited at 25p each.

Loan stock
On 30th October, 1981 the directors of TVS resolved to create £6 million Loan Stock, short particulars of which are set out in Appendix 5. On 2nd November, 1981 certain companies and individuals who have supported the original application to the IBA were invited to subscribe £468,790 nominal Loan Stock at par and applications, which have been accepted by TVS, were received in respect of £459,790. On 6th November, 1981 £565,000 Loan Stock was allotted to Industrial and Commercial Finance Corporation Limited.

Directors', executives' and other interests
The following table shows the beneficial interests at 6th November, 1981 after this issue, including family interests, of the directors of TVS in the share capital of TVS, all of which were subscribed for cash at par except for those issued to Mr. Blakstad under Material Contract (v).

	Voting Shares No.	Voting Shares %	Shares No.	Shares %
Terence George, Baron Boston of Faversham*	80	2	80,000	0.3
Keith David Wickenden	—	—	—	—
Anthony James Gatward*	400	10	800,000	3.3
Anthony Donald Brook*	280	7	200,000	0.8
David Andrew Quayle	10	1	202,400	0.8
Michael Bjorn Blakstad*	280	7	160,784	0.7
Pamela, Baroness Sharples	—	—	—	—
Blanche Helena Marion Augusta Lucas	—	—	—	—
Ernest Guy Libby	—	—	—	—
John Arthur Fox	40	1	33,000	0.2
Graham Frederick Duncan Sheridan Shaw*	40	1	80,000	0.3
Malcolm Ian Truepenny*	40	1	80,000	0.3
	1,200	30	1,642,184	6.7

*Promoter

Mr. Blakstad has received or is entitled to receive cash, Shares and Loan Stock as consideration for the sale to TVS of his interest in Blackrod on the basis set out in Material Contract (v).

Mr. Libby is a consultant to Capel-Cure Myers, stockbrokers to TVS, and Mrs. Lucas is a partner in the firm of Theodore Goddard & Co., who are solicitors to TVS. Both of these firms will receive fees in connection with this Offer.

The remuneration of the non-executive directors will be fixed by the board, as specified in the section headed "Share Capital" above.

Additionally, certain senior executives of TVS will hold the following beneficial interests, after this issue, in the share capital of TVS, all of which were subscribed for cash at par on 3rd April, 1981:—

	Voting Shares No.	Voting Shares %	Shares No.	Shares %
Martin Bernard Jackson*	40	1	80,000	0.3
Richard Eugene Triance*	40	1	80,000	0.3
Robert Southgate*	40	1	120,000	0.5
Peter Anthony Henry Andrew Charles Plant*	40	1	60,000	0.3
Anna Home*	40	1	80,000	0.3
Robert John Miller*	40	1	60,000	0.3
Herbert Chappell*	40	1	60,000	0.3
Richard Lushington Crosoer*	40	1	40,000	0.1
	320	8	560,000	2.4

*Promoter

As chairman of the Trust, Baroness Sharples will have a non-beneficial interest in 600 Voting Shares (15 per cent.).

On 16th July, 1981 a trust was established by those promoters who are directors or executives of TVS who each transferred one Share to the trust to be held on behalf of all of the beneficiaries of the trust. The trustees of this trust are Lord Boston of Faversham and Mrs. Lucas. As trustees they have joint non-beneficial interests in 14 Shares.

In addition to certain of the directors, senior executives and Mr. Dennis Rowland, Lord McGregor of Durris and Mr. Dennis Vance were promoters of TVS. Lord McGregor and Mr. Vance have each subscribed 40,000 Shares at par for cash.

Mr. Rowland has subscribed 400,000 Shares for cash at par pursuant to option arrangements under a deed executed on 27th February, 1981 as varied by a supplemental deed on 28th October, 1981 (Material Contract (vi)). Coolgrove Limited, a company owned by Mr. Rowland, received £35,650 from SSEC under the deed.

Copies of the deeds are available for inspection as stated in this Appendix.

Significant interests in the Company
The following significant interests, excluding those of the directors, in the issued capital of TVS exist or will exist following the Offer:—subject to the underwriting arrangements set out below:—

	Voting Shares No.	Voting Shares %	Shares No.	Shares %
European Ferries Limited	800	20	4,800,000	19.7
London Trust Company Limited and associates	800	20	4,800,000	19.7
Friends' Provident Life Office	160	4	1,500,000	6.2
British Car Auctions Limited	120	3	1,200,000	4.9
Industrial and Commercial Finance Corporation Limited	—	—	1,800,000	7.4
Television South Charitable Trust Limited	600	15	—	—

The directors of TVS are not aware of any other shareholdings which will immediately after completion of this Offer represent 5 per cent. or more of the issued voting share capital of TVS.

As part of the arrangements for the Offer, Industrial and Commercial Finance Corporation Limited, European Ferries Limited and London Trust Company Limited will subscribe for the Shares and Loan Stock offered if other subscribers are not forthcoming. In this context Industrial and Commercial Finance Corporation Limited would first acquire a further 1,824,260 Shares and £570,081 Loan Stock and the balance would be acquired equally by European Ferries Limited and London Trust Company Limited.

Subsidiaries

Name	Date of Incorporation	Issued Share Capital £
SSEC	4th January, 1980	2
Blackrod	24th March, 1980	180,180
Television South and South East Limited	15th January, 1980	2
TVS Music	11th August, 1981	100

All the subsidiaries are private companies, were incorporated in England, and are wholly owned.
On 31st July, 1981 Blackrod issued 180 shares at par for cash.

Properties
The TVS Group has, or will have, the following material interests in property:—
(a) Freehold land at Vinters Park, Maidstone, Kent comprising 10.4 acres acquired in 1981 for £536,000 on which the new Maidstone Studios are being constructed. On 25th September, 1981 SSEC granted a lease of this property to Lombard North Central Leasing Limited for 51 years in consideration of £2,154,924 and a peppercorn rent. The property has been leased back to SSEC for the same period, less one day, at variable rents calculated in accordance with the Agreement with Lombard dated 25th September, 1981 (Material Contract (xi) below).
(b) Freehold land and buildings comprising part of Television Centre, Northam, Southampton, covering 5.3 acres with a floor area of 10,000 square metres, the property of Southern.
(c) Leasehold land and buildings comprising the balance of The Television Centre, Northam held by Southern under a lease dated 5th June, 1980 from Southampton City Council for 98 years from 30th October, 1978 [illegible]

[illegible]

TVS TVS TVS

POINTMENTS

inance director at Fiat Auto (UK)

r Douglas Mansion has been inted finance director of T AUTO (UK). He was ncial director of Group Four il Security.

★

r Robert S. (Bob) MacAlister been appointed managing ctor of OCCIDENTAL STRALIA PTY, with responsibilities for the company's oil gas, chemical, mineral and activities in Australia. Since he has been chairman of adian Oxy, a majority owned sidiary of Occidental Petron Corporation, with interests Canadian oil and gas loration.

Ir John E. Brading has been ted president, and a director CANADIAN OCCIDENTAL TROLEUM. Mr R. A. tsworth, chairman and chief cutive officer of Occidental and Gas Corporation and a director of Occidental Petroleum Corporation has been elected chairman of Canoxy.

An Englishman, Mr Brading was president of Occidental's European headquarter's company in London, Occidental International Oil Inc; with responsibility for European refining, *marketing and transportation.*

Mr J. E. (Jim) Bustin has been elected president and people's committee member of OCCIDENTAL OF LIBYA INC, a subsidiary of the oil and gas division of Occidental Petroleum Corporation. He was vice president of operations, supply and transportation for Occidental International Oil Inc.

★

Dr S. Denis Thomas has been appointed vice president of THE BEROL CORPORATION and vice president and general manager of Berol, U.S., Danbury, Connecticut. He was managing director of Berol UK. The new managing director of Berol UK is Mr Ron Carter, who was director of finance. Mr Graham Lewis has been appointed director of personnel, and Mr Bernard Banks has been appointed financial manager at Berol *Limited.*

★

Mr Henri Boccaccio has been appointed president of COFLEXIP, Paris. He was, until recently, general manager of Technip.

★

Mr Richard J. V. Johnson, president of the Houston Chronicle Publishing Company has joined the board of *ANDERSON, CLAYTON AND* CO., Houston, Texas.

★

Mr Antonio Mendoza, managing director of LAING S.A., the Spanish member-company of the John Laing construction and civil engineering group, has been appointed presidente in succession to Mr Francisco Fernandez Ordonez, the former Minister of Justice, who has returned to the board as a non-executive director.

★

Mr Hans-Ulrich Hell has been appointed vice president in the Frankfurt branch of MELLON BANK'S international banking department.

★

Dr Dick Elliott, formerly assistant director of Research and specialist services of the Government of Zimbabwe, is joining Knight Frank & Rutley Zimbabwe as chief conultant to KNIGHT FRANK LUGG HARRISON'S agricultural consultancy operations and will be responsible for its day-to-day operation.

ISURANCE

Lloyd's alters personal resources rules

BY JOHN MOORE

OYD'S of London moved last ek to tighten up security hin its insurance market. Mr er Green, Lloyd's chairman, d members of the market that great many factors contribute the integrity of a Lloyd's icy but Lloyd's membership uirements must, of neces-, be the most fundamental. this reason the rules and uirements are continuously ng examined."

To this end, members of oyd's will no longer be pertted to include their principal idence in their means test. t second homes and commer-l property will be permitted market valuation, less any tstanding mortgage or loan. rmland will be permitted at market value, excluding the lue of the house, if this is principal residence, less any tstanding mortgage or loan.

Any property beneficially ned by the member may be ed as collateral for bank arantees or letters of credit means test or deposit purses, including the member's n home.

Gold, for the first time, is to allowed as an acceptable et for means test purposes, oviding that it does not present more than 30 per cent the member's wealth neces-y to pass the Lloyd's means t. Property must not exceed 40 per cent of the wealth necessary to pass the means test.

Gold will be accepted at 70 per cent of its market value at the date of the means test and must be held in the form of bullion or coins by a bank approved by the Lloyd's committee.

Under the Lloyd's system, a member of Lloyd's does not invest in the market, as does a shareholder in a company. He puts his capital at risk in the anticipation of profit being earned by the skill of a professional underwriter within Lloyd's. Over and above that, he receives the dividends and interest on his investments which he has been required to make in the form of deposits with Lloyd's to provide further security for the market.

But against these considerations the member of Lloyd's is liable to the last penny of his possessions to meet underwriting losses. Hence, the importance of the Lloyd's means test which demonstrates how much a member of the market is worth.

The member of Lloyd's is required to undertake not to intervene in the working of an underwriting syndicate which he joins. He is, therefore, accepting an unlimited liability without any control over the conduct of the business. He can only withdraw from participation (profitable or unprofitable) after a protracted period.

When Lord Cromer studied Lloyd's affairs in the late 1960s, the question of the relevance of unlimited liability to the Lloyd's system was examined in detail.

After a spate of heavy underwriting losses in the mid 1960s, after Hurricane Betsy, Lloyd's members found the obligations involved in unlimited liability had become a reality, and limited liability was becoming more attractive.

Moreover, towards the end of *the 1960s, it appears from the* Cromer report, the insurance brokers as a whole favoured limited liability as a means of attracting fresh capital, and did not attach great importance to unlimited liability as a selling point for Lloyd's policies.

Lord Cromer and his working party could not then recommend that unlimited liability be removed as a principle. He observed that at that time it was difficult to raise the issue if the matter was considered from the point of view of the insured.

"Very large reserve funds would have to be raised," he said. "We believe that the right course is for members to build up substantial reserves so that unlimited liability can become again what it was until recently —a legal obligation which was of no practical importance."

"If after substantial reserves have been created, unlimited liability is still a stumbling block, Lloyd's might be able with safety to undertake an obligation to ensure that members were not called upon for funds beyond some specified figure."

Lord Cromer said that it had been suggested that members could be protected from the consequences of unlimited liability by stop-loss reinsurance. But he concluded that if this were arranged within Lloyd's and losses were widespread in all markets, as in 1965, "the artificiality of the arrangement would become obvious."

He concluded it would seriously restrict the volume of business done at Lloyd's, and warned that reinsurance outside Lloyd's would be very costly. "Reinsurance does not seem to provide an answer."

Ten years later, and with capacity much enlarged in all insurance markets, personal stop-less arrangements in Lloyd's have become common practice. Sir Henry Fisher, in his report on Lloyd's published in 1980, said that personal stop-loss insurance should be allowed to continue within Lloyd's subject to the introduction of "stringent audit regulations."

Business in Parliament this week

MONDAY

Commons: Queen's Speech. Debate on employment, industrial relations, state training boards.

TUESDAY

Commons: Queen's Speech. Debate on financial arrangements of NCB, privatisation of BNOC.

Lords: Queen's Speech. Debate on foreign affairs and defence.

WEDNESDAY

Commons: Queen's Speech. Opposition amendment on decline of the economy.

Lords: Queen's Speech. Debate on economic and industrial affairs.

Select committees: Education. Subject: university funding. Witnesses: Sir Keith Joseph, *Education Sec, Mr William* Waldegrave, Under-Sec for Education. 10.30 am. Room 6. Industry and Trade. Subject: Multi-fibre arrangement. Witness: Mr Peter Rees, Minister of State for Trade. 10.45 am. Room 16.

Transport. Subject: Transport in London. Witnesses: Freight Transport Assoc, Road Haulage Assoc, Transport and General Workers' Union. 4.15 pm. Room 17. Treasury and Civil Service. Subject: Efficiency and effectiveness in Civil Service. Witnesses: Sir Lawrence Airey, Permanent Sec, Board of Inland Revenue. 4.15 pm. Room 15. Employment: Subject: Manpower Services Commission's review of quota for the disabled. Witnesses: Manpower Services *Commission. 4.30 pm. Room 8.* Social Services. Subject: The age of retirement. Witnesses: Department of Health and Social Security. 4.30 pm. Room 21. Defence. Subject: Organisation of Ministry of Defence and Procurement. Witnesses: Mr John Nott, Defence Sec. 10.45 am. Room 15.

THURSDAY

Commons: Supply day debate on encroachment on Local Government autonomy.

Lords: Queen's Speech. Second day's debate on economic and industrial affairs.

FRIDAY

Commons: Debate on government measures to help small businesses.

BUSINESSMAN'S DIARY

UK TRADE FAIRS AND EXHIBITIONS

Date	Title	Venue
Current	Kensington Antiques Fair (04868 22562) (until November 10)	Town Hall
Current	International Domestic and Contract Textiles Exhibition—DACTEX (01-572 2121) (until November 12)	NEC, Birmingham
Nov 10-11	Vending Equipment, Refreshment Services and Supplies Exhibition (0732 356444)	Bloomsbury Centre Hotel
Nov 10-15	International Furniture Show (01-724 0851)	NEC, Birmingham
Nov 12-22	Caravan Camping Holiday Show and Mobile Homes (01-222 9341)	Earls Court
Nov 15-18	Times and Sunday Times Business to Business Exhibition (01-729 0677)	Belle Vue, Manchester
Nov 17-20	Computer Peripheral and Small Computer Systems Exhibition and Conference (01-643 8040)	Olympia
Nov 23-29	International Food Wine and Kitchen Exhibition (06284 2442)	Bristol
Nov 25-27	Life Insurance Congress and Exhibition (01-580 8881)	Wembley Conference Centre
Nov 29-Dec 5	International Building and Construction Exhibition and Kitchen International — INTERBUILD (01-486 1951)	NEC, Birmingham

OVERSEAS TRADE FAIRS AND EXHIBITIONS

Date	Title	Venue
Nov 10-14	International Exhibition for Electronics Production—PRODUCTRONICA (01-486 1951)	Munich
Nov 13-22	Automobile Show (01-486 8686)	Sao Paulo
Nov 16-20	International Market of Subcontracting—MIDEST (0271 812968)	Lyon
Nov 18-21	Medical and Technical Exhibition and Congress—MEDICA (01-409 0956)	Dusseldorf
Nov 22-27	Arab Home and Leisure Show (01-486 1951)	Bahrain
Nov 23-27	International Mining Exhibition and Conference for South East Asia (021705 6707)	Singapore
Nov 24-28	International Technical Fair (01-486 1951)	Helsinki
Nov 26-Dec 5	UAE Autumn Fair (01-935 8200)	Dubai
Dec 1-4	European Plant Engineering and Maintenance Exhibition and Conference—FABRIK (021-384 3384)	Cologne
Dec 2-6	South East Asia's Gift Fair (01-681 7688)	Singapore
Dec 6-10	Furniture, Shopfitting, Decorative Lighting, Furnishings Exhibition — SAUDI DESIGN (01-353 2300)	Alkhobar
Dec 8-12	International Machine Tool and Metal Working Exhibition (01-486 1951)	Jakarta

BUSINESS AND MANAGEMENT CONFERENCES

Date	Title	Venue
Nov 9	Sweet and Maxwell: The Law and Practice of International Finance (01-583 9855)	Hilton Hotel, W1
Nov 12	IPS: Computer Purchasing (0990 23711)	Tower Hotel, E1
Nov 13	Bath Chamber of Commerce: The New Industrial Challenge (0225 60655)	Beaufort Hotel, Bath
Nov 16-17	FT Conference World Telecommunications (01-621 1355)	Inter Continental, W1
Nov 17	College of Marketing UK Economic Prospects over the next five years (06285 24922)	Penta Hotel, SW7
Nov 17-18	Gower: International Treasury Management (01-240 5931)	Waldorf Hotel, WC2
Nov 17-18	Oyez: Implications of change in the London Gilts and Money Markets (01-242 2481)	Royal Garden Hotel, W8
Nov 17-20	European Congress for the Organisation of Financial Institutions (Luxembourg 2 09 31)	Luxembourg
Nov 18-20	First World Congress on Management Development (0234 48338)	Mark Lane, EC1
Nov 19	IPS Telecommunications—the Changing Market (0990 23711)	Metropole Hotel, W2
Nov 19-20	Gower: Offshore Workshop '81—Construction and Supply Contracts (01-240 5931)	Café Royal, W1
Nov 23-24	MSS: Computer Appreciation for Managers/Users (0903 34755)	Worthing
Nov 24	Oyez Purchase of Own Shares and Accounting Problems (01-242 2481)	Carlton Tower, SW1
Nov 24	Wm. Mercer: Employee Benefits in the U.S. (01-405 4343)	Royal Garden Hotel, W8

Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there has been no change in the details published.

TELEVISION

BBC 1

9.08 am For Schools, Colleges. 10.00 You and Me. 10.15-12.07 pm For Schools, Colleges. 12.30 News Afternoon. 12.57 Regional News for England (except London). London and SE only: Financial Report and News Headlines. 1.00 Pebble Mill At One. 1.45 Chock-a-Block. 2.01 For Schools, Colleges. 3.00 See Hear! 3.25 Delia Smith's Cookery Course. 3.53 Regional News for England (except London). 3.55 Play School. 4.20 Laurel and Hardy. 4.25 Jackanory with Tom Conti. 4.40 Jigsaw. 5.05 Newsround. 5.10 Blue Peter.

5.40 News.

6.00 Nationwide (London and South East only).

6.25 Nationwide.

6.55 Angels.

7.20 Blake's Seven.

8.10 Panorama, including Dr Arthur trial.

9.15 News.

9.40 The Monday Film: "Barquero," starring Lee Van Cleef, Warren Oates and Forrest Tucker.

11.25 Film '81 with Barry Norman.

11.55 News Headlines.

Chris Dunkley: Tonight's Choice

Now that BBC1's Nine O'Clock News has voluntarily abandoned its two greatest assets, Kenneth Kendall (who has been restricted to alternate weekend bulletins) and Richard Baker (put out to grass in the teatime slot) it has become a *deeply unattractive programme*. There are signs that John Simpson might one day acquire some semblance of the authority and presence of Kendall and Baker, but none so far that John Humphrys ever will. In its last week with the old team the Nine *O'Clock News took places 2, 4, 7 and 9 in the* BBC1 Top 10 ratings. In the previous three weeks their ratings were: 2, 7 and 9; 2, 4, 5 and 7; and 2, 4 and 10. With the new team the News has simply fallen out of the ratings entirely. In the last three *weeks it hasn't appeared once.*

That is hardly surprising considering the pitifully lacklustre affair it has become, and the obvious answer is to watch News At 10 instead. ITN can't have been handed a bigger gift in all their 26 years on the air. The other alternative, however, is BBC2's Newsnight which is quite a lot later but does take a far more adult approach to the whole business of news. For instance, instead of the arbitrary and near insane decision to exclude all arts subjects, Newsnight has actually taken on Joan Bakewell as an arts reporter.

BBC 2

10.10 am Supervisors.
10.35 Speak for Yourself.
11.00 Play School.
11.25 Write Away.
1.55 pm A Woman's Place?
2.20 Let's Go.
2.35 Inside Japan.
3.05 Whistle Blowers.
3.30 School Report.
†3.55 *Star Movie: "The Mad Miss Manton,"* starring Barbara Stanwyck.
5.10 "The Running, Jumping and Standing Still Film."
5.25 Under Sail.
†5.40 The Five Faces of Doctor Who.
6.05 The Adventure Game.
6.55 Living In The Past.
7.25 News Summary.
7.30 Tales of Twelve Cities.
8.10 Des O'Connor Tonight.
9.00 Kelly Montieth.
9.30 *Horizon.*
10.20 The Innes Book of Records.
10.45 Newsnight.
11.30 Heute Direkt.

LONDON

9.30 am Schools Programmes. 12.00 Cockleshell Bay. 12.10 pm Rainbow. 12.30 Doctor! 1.00 News, plus FT Index. 1.20 Thames News with Robin Houston. 1.30 Farmhouse Kitchen. 2.00 Money-Go-Round. 2.30 Monday Matinee: Alan Bates, Denholm Elliott and Millicent Martin in "Nothing But The Best." 4.15 Ham In A Role. 4.20 The Sooty Show presented by Matthew Corbett. 4.45 Theatre Box: Lyndham Gregory in "The Prince and the Demons." 5.15 Diff'rent Strokes.

5.45 News.
6.00 Thames News with Andrew Gardner and Rita Carter.
6.25 Help! The Seven Setbacks of the Setbacks—5 "A Setback For Gordon" with Roger Martin.
6.35 Crossroads.
7.00 Bullseye.
7.30 Coronation Street.
8.00 Astronauts.
8.30 World In Action.
9.00 Quincy, starring Jack Klugman.
10.00 News.
10.30 *The Dain Curse:* James Coburn and Jean Simmons in Part 2.
12.20 am Close: "Sit Up And *Listen" with Anne Scott-*James.

† Indicates programme in black and white

All IBA Regions as London except at the following times:

ANGLIA

1.20 pm Anglia News. †2.30 Monday Film Matinee: "The Brave Don't Cry." 5.15 University Challenge. 6.00 About Anglia. 6.30 Survival. 10.30 Anglia Reports. 11.00 A New Kind of Family. 11.30 The Monte Carlo Show. 12.30 am Reflection.

ATV

1.20 pm *ATV News.* 2.00 *Rendezvous* with Romance: "Friends." 3.45 Money-Go-Round. 5.15 Joe 90. 6.00 ATV Today. 10.30 Left, Right and Centre. 11.10 ATV News. 11.15 The Avengers.

BORDER

1.20 pm Border News. †2.00 Matinee: "Fallen Idol." 3.45 Money-Go-Round. 5.15 Survival. 6.00 Look*around Monday.* 6.15 *Brain of the* Border. 6.45 The Black and White Picture Show. 10.30 The Jim Davidson Show. 11.00 R.L. Action. 11.45 Border News Summary.

CHANNEL

1.20 pm Channel Lunchtime News. What's On Where and weather. 2.00 The Monday Matinee: "Deadly Game." 3.45 Money-Go-Round. 5.15 Here's Boomer. 6.00 Channel Report. 6.25 School Report. 6.35 Encore. 10.28 Channel Late News. 10.35 240 Robert. 11.30 That's Hollywood. 12.00 News and weather in French.

GRAMPIAN

9.25 am First Thing. 1.20 pm North News. 2.00 Money-Go-Round. 2.30 Monday Matinee: "Shock." 5.15 Mork and Mindy. 6.00 North Tonight. 6.30 Country Focus. 10.30 Cover to Cover. 11.00 *The New Avengers.* 12.00 Going Out. 12.30 am North Headlines.

GRANADA

1.20 pm Granada Reports. 2.00 Money-Go-Round. 2.30 Monday Matinee: "The Promise." 5.15 The Flintstones. 6.00 Granada Reports. 10.30 Ladies' Man. 11.00 RL Action. 11.45 Going Out.

HTV

1.20 pm HTV News. 2.30 "Sunstruck" starring Harry Secombe and Maggie Fitzgibbon. 5.15 The Flint*stones.* 6.00 Report West. 10.28 HTV News. 10.30 "Kid Blue" starring Dennis Hopper.

HTV Cymru/Wales—As HTV West except: 12.00-12.10 pm Fialabalam. 4.45-5.15 Ser. 6.00 Y Dydd. 6.25-7.00 Report Wales. 8.30-9.00 Yr Wythnos.

SCOTTISH

1.20 pm News and road and weather. 2.00 Monday Matinee: "The Girl In The Empty Grave." 3.45 Money-Go-Round. 5.15 Diff'rent Strokes. 6.00 Scotland Today. 6.40 Crimedesk. 10.30 About Gaelic (Anne Lorne Gillies). 11.00 *Masterclass.* 11.30 Late Call. 11.35 Hammer House of Horror.

SOUTHERN

1.20 pm Southern News. 2.00 Houseparty. †2.25 "Fighting Stock" starring Tom Walls. 3.45 Money-Go-Round. 5.15 Happy Days. 6.00 Day by Day. 6.30 Diff'rent Strokes. 10.35 Thriller: "Cry Terror." 12.00 Superstar Profile.

TYNE TEES

9.20 am The Good Word. 9.25 North East News. 1.20 pm North East News and Lookaround. 2.30 Monday Matinee: "Morgan—A Suitable Case *for Treatment.*" 5.15 Happy Days. 6.00 North East News. 6.02 Three Little Words. 6.30 Northern Life. 10.30 North East News. 10.32 Briefing. 11.15 Lou Grant. 12.15 am Remembrance.

ULSTER

1.20 pm Lunchtime. †2.30 Monday Matinee: "The Ghost Train" starring Arthur Askey, Richard Murdoch and Kathleen Harrison. 4.13 Ulster News. 5.15 Joe 90. 6.00 Good Evening Ulster. 10.29 *Ulster weather.* 10.30 *Ulster Landscapes.* 11.00 Roots. 11.30 Bedtime.

WESTWARD

1.20 pm Westward News Headlines. 2.00 The Monday Matinee: "Deadly Game" staring Andy Griffith. 3.42 Gus Honeybun's Birthdays. 3.45 Money-Go-Round. 5.15 Here's Boomer. 6.00 Westward Diary. 10.32 Westward Late *News.* 10.35 *240 Robert.* 11.30 That's Hollywood. 12.00 Faith for Life. 12.05 am West Country weather, shipping forecast.

YORKSHIRE

1.20 pm Calendar News. 2.30 Monday Matinee: "The Pajama Game" starring Doris Day. 5.15 How's Your Father? 6.00 Calendar (Emley Moor and Belmont editions). 6.35 It's A Vet's Life. 10.30 Benson. 11.00 RL Action. 11.45 Run From The Morning.

RADIO

RADIO 1

(S) Stereophonic broadcast
‡Medium wave

5.00 am As Radio 2. 7.00 Mike *Read. 9.00 Simon Bates. 11.30 Dave* Lee Travis. 2.00 pm Paul Burnett. 3.30 Steve Wright. 5.00 Peter Powell. 7.00 Stayin' Alive. 8.00 David Jensen. 10.00-12.00 John Peel (S).

RADIO 2

5.00 am Tony Brandon (S). 7.30 Ray Moore (S). 10.00 Susannah Simons (S). 12.00 John Dunn (S). 2.00 Ed *Stewart (S). 4.00 David Hamilton (S).* 5.45 News; Sport. 6.00 David Symonds with Much More Music (S). 8.00 Folk on 2 (S). 9.00 Humphrey Lyttelton with the Best of Jazz (S). 9.55 Sports Desk. 10.00 [illegible]. 10.30 Star Sound. 11.02 Sports Desk. 11.03 Brian Matthew with Round Midnight. 1.00 am Truckers' Hour (S). 2.00-5.00 You and the Night and the Music (S).

RADIO 3

6.55 am Weather. 7.00 News. 7.05 Morning Concert (S). 8.00 News. 8.05 Morning Concert (cont.). 9.00 News. 9.05 This Week's Composer: Richard Strauss (S). 10.00 Greene and Boyce (S). 11.40 BBC Scottish Symphony Orchestra (S). 1.00 pm News. 1.05 BBC Lunchtime Concert (S). 2.05 [illegible] Musicale (S). 3.05 New Records (S). 4.55 News. 5.00 Mainly for Pleasure (S). 7.00 BBC Symphony Orchestra concert, part 1 (S). 7.35 Livings. 7.55 BBC Symphony Orchestra, part 2 (S). 8.45 Lucia Popp song recital (S). 9.15 The Price *of Victory.* 10.30 *Jazz in Britain* featuring Azimuth (S). 11.00 News. 11.05-11.15 Gershwin (S).

RADIO 4

6.00 am News Briefing. 6.10 Farming Week. 6.25 Shipping forecast. 6.30 Today. 8.35 The Week on 4. 8.45 John Ebdon investigates the BBC sound archives. 9.00 News. 9.05 Start the Week with Richard Baker. *10.00 News. 10.02 Money Box. 10.30* Daily Service. 10.45 Morning Story. 11.00 News. 11.05 Down Your Way. 11.50 Poetry Please. 12.00 News. 12.02 pm You and Yours. 12.27 What Ho! Jeeves. 12.55 Weather, programme news. 1.00 The World at One. 1.40 The Archers. 1.55 Shipping forecast. 2.00 News. 2.02 Woman's Hour. 3.00 News. 3.02 Afternoon Theatre (S). 4.35 What a *Job! 4.45 Story Time. 5.00 PM: News* magazine. 5.50 Shipping forecast. 5.55 Weather; Programme news. 6.00 News including Financial Report. 6.30 The News Quiz (S). 7.00 News. 7.05 The Archers. 7.20 Start the Week with Richard Baker. 8.00 The Monday Play. 9.30 Kaleidoscope. 9.59 Weather. 10.00 The World Tonight. 10.30 Science Now. 11.00 A Book at Bedtime. 11.15 The Financial World Tonight. 11.30 Today in Parliament. 12.00 News.

COMPANY NOTICES

LAFARGE COPPEE

A French Limited Company with an Authorised Capital of FF.669.544.600
Head Office: 28, Rue Emile Menier, Paris 16
RCS PARIS B 542 105 572
SIRET 542 105 572 00011
TO HOLDERS OF CONVERTIBLE BONDS
11.25%-11.50% 1981/1991

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN to holders of Convertible Bonds 11.25%-11.50% 1981/1991 of FF.5.000 nominal each that the First Ordinary Meeting of the General Assembly has been convened for Friday, 4th December 1981 at 14h30 at the office of CREDIT COMMERCIAL DE FRANCE, 103 Avenue des Champs-Elysees, Paris 8, France, for the following purposes:

— To appoint two people to represent the "Masse" (as explained in the Prospectus dated 5th February 1981) and two people to replace them should the need arise.

— To fix the powers and the remuneration of these Representatives.

— To approve the decision of the shareholders of the Company to waive their preferential right to subscribe to any new issues of convertible bonds.

No action may validly be taken by the General Assembly unless at least one quarter of the bonds outstanding are represented at the meeting.

Any bondholder, regardless of the number of bonds which he holds, may attend and vote at the meeting or may appoint a proxy to legally represent him and vote on his behalf.

However, only bondholders who have deposited their bonds five days at least before the meeting, at either the Head Office of the Company, 28 Rue Emile Menier, Paris 16, or Credit Commercial de France, 103 Avenue des Champs-Elysees, Paris 8, or one of the following banks in London:

—KLEINWORT BENSON LTD., 20 Fenchurch Street, London EC3P 3DS.
—J. HENRY SCHRODER WAGG AND COMPANY LTD., 120 Cheapside London EC2V 6DS.

or certain other banks in Europe (as stipulated in the Notice appearing in the *Agence Economique et Financiere* of the 9th November 1981) may attend the meeting or appoint a proxy to attend for them. They will be issued with the necessary admission card and/or proxy form.

The text of the resolutions as well as all the documents which will be submitted to this meeting, will be held, as required by law, at the Head Office of the Company at the disposal of bondholders.

BOARD OF DIRECTORS

CHANGE IN CAPITAL STRUCTURE OF FRAB BANK GROUP

The group, mainly composed of a Luxembourg Holding Company (FRAB HOLDING), of a French Bank (FRAB BANK *INTERNATIONAL, 90 Champs Elysées, PARIS) and a BAHREIN* wholly owned subsidiary (FRAB MIDDLE EAST), changed its capital structure (50% Arab shareholders, 50% European and Japanese shareholders) to become fully Arab owned.

In the most co-operative banking climate, reinforced by mutual understanding and friendship throughout more than twelve years of co-operation, SOCIETE GENERALE PARIS, SOCIETÉ GENERALE DE BANQUE BRUSSELS, AMRO AMSTERDAM, SWISS BANK CORPORATION ZURICH, INDUSTRIAL BANK OF JAPAN TOKYO, BANCO URQUIJO MADRID, NATIONAL INVESTMENT BANK FOR INDUSTRIAL DEVELOPMENT ATHENS, have sold their shares to the NATIONAL BANK OF KUWEIT.

This agreement was finalised in Paris by Chairman A. M. AL KHARAFI of the NATIONAL BANK OF KUWEIT and Chairman LAURE of SOCIETE GENERALE on behalf of the European and Japanese banks, to be effective as of 1st November 1981.

Besides the Koweiti interests various banks, institutions and financial groups from Saudi Arabia, Libya, the Federation of United Arab Emirates, Bahrein, Tunisia, Algeria, Morocco, are represented in the share capital of the group.

REPUBLIC OF SOUTH AFRICA

1970/1982 8¼% UA 20,000,000

On October 28, 1981, Bonds for the amount of UA 3,350,000 have been drawn for redemption in the presence of a Notary Public.

The Bonds will be reimbursed coupon No. 12 and following attached on and after December 30, 1981.

The drawn Bonds are those, NOT YET PREVIOUSLY REDEEMED, included in the range beginning at: 5806 up to 11207 incl.

Amount outstanding: UA 3,350,000.

Outstanding drawn Bonds:
1, 67 and 68, 78, 134, 167, 176, 289 and 290, 294 to 297 incl., 337 to 342 incl., 459, 500, 595, 605 to 610 incl., 1492, 1800, 1944 to 1948 incl., 2538, 2613, 2644 to 2648 incl., 2707, 2784 and 2785, 2821 to 2825 incl., 2878 to 2881 incl., 2887 and 2888, 3151, 3191, 3294, 3380 to 3385 incl., 3419 to 3425 incl., 3486, 3510, 3519, 3628, 3712, 3817, 4813 and 4814, 5014 to 5034 incl., 5102 to 5106 incl., 5609 to 5650 incl., 5702 to 5706 incl., 5717 and 5718, 5728 and 5729, 5749, 17556 to 17559 incl., 17561, 17601, 17617 to 17620 incl., 17645 and 17646, 17752 and 17753, 17829 to 17836 incl., 17853, 17869, 18265, 18311 to 18325 incl., 18332, 18433 to 18435 incl., 18446 to 18450 incl., 18465 to 18467 incl., 18481 to 18495 incl., 18648, 18673 to 18675 incl., 18772 to 18775 incl., 19118 to 19120 incl., 19130, 19228 to 19230 incl., 19437, 19448, 19603 to 19612 incl.

The Fiscal Agent
KREDIETBANK S.A.
Luxembourgeoise

Luxembourg,
November 9, 1981.

CONTRACTS AND TENDERS

PROCUREMENT NOTICE

FOR SURFACE AND SUBSURFACE MATERIALS OF OIL AND GAS FIELDS

Under the coverage of Bati Raman enhanced oil recovery project, Turkish Petroleum Corporation intends to buy the following surface and subsurface materials.

1. Field pipes
2. Manifolds
3. Valves, fittings and flanges
4. Pressure and temperature instruments, orifice plates and flanges, level instruments and control valves
5. Single and dual wellhead assemblies
6. Coated and uncoated tubings
7. Packers
8. Sucker rods
9. Subsurface rod pumps
10. Electrical motors (55 kW)
11. Casings
12. Rock bits
13. Core bits
14. Acid additives

Each item shall be placed bidding separately starting on December 7, 1981. Manufacturers and suppliers who are intersted in bidding should indicate for which items they wish to have the bidding documents when issued.

Foreign currency requirements for these materials will be financed from a World Bank loan.

TPAO invites potential vendors to apply to the following address, giving information about their firms.

TURKISH PETROLEUM CORPORATION
(Att: Mr Bumin Gurses)
Production Group, Mudafaa Caddesi 22 Ankara, Turkey
(Telex: 42 426 TPAO-TR)

US$100 or equivalent Turkish liras will be required to receive the Bid documents.

LECTURES

GRESHAM LECTURES

in Medical Science

Man against Microbe
by Professor D. Slome
3 one-hour lectures at
The City University
Northampton Square, London, EC1
at 6.00 pm
November 10th, 17th, December 1st
ADMISSION FREE

EXHIBITIONS

LOOT VII. New Jewellery and Silver 700 collectable pieces. Adm. free. 10.30-5.00 Mon.-Sat. until Nov. 21. Goldsmiths' Hall, Foster Lane, EC2.

Triumph of trial by jury

THE WEEK IN THE COURTS

BY JUSTINIAN

TRIAL BY jury had its finest advertisement at Leicester Crown Court last week when the *paediatrician Dr Leonard* Arthur was acquitted of the attempted murder of a Down's syndrome baby.

Many doctors thought it was quite wrong that the criminal law should have been invoked against a professional colleague who did what many others were prepared to say they did themselves. Many responsible citizens shared that view.

And so did the jury. It ignored the logic of the law and brought in a verdict that accorded with a widespread public sentiment; few, if any, would have wanted to brand a caring and humane doctor a criminal, and imprisoned him. A professional tribunal, on the other hand, might have been forced to accept the logic of the law.

A humane judge, the late Mr Justice Stable, when faced once with a similar predicament, cut through all the niceties of the law and told a jury that the defendant did not have, and never did have, any defence to a particular criminal charge. But he went on pointedly to tell the jury: "It is for you to say whether the defendant is guilty or not." The defendant was instantly acquitted.

That robust approach to the human and social dilemmas thrown up by the crudities of the criminal process is nowadays *unfashionable. Mr Justice* Farquharson gave an impeccable direction to the jury on the law of homicide.

Nothing, moreover, will be gained by the Attorney-General referring Dr Arthur's case to the Court of Appeal for its opinion on a point of law under section 36, Criminal Justice Act 1972 (as advocated in yesterday's Observer). That court would merely endorse the legal ruling made by Mr Justice Farquharson. The public debate of a highly sensitive problem of social and medical ethics would not be advanced one jot.

It is not the law that is in doubt, only whether the law adequately reflects society's wishes to control the conduct of doctors faced with the dilemma of grossly deformed babies delivered to unwanting parents.

There is nothing comparable with the case in 1939 of an obstetrician, Dr Aleck Bourne, *who carried out an abortion on* a girl aged 14 who had been the victim of a series of violent rapes. Mr Justice Macnaghten had to interpret the *Infant Life* (Preservation) Act 1929 which allowed the destruction of a foetus if done "in good faith for the *purpose if only of pre*serving the life of the mother."

Just what "preserving the life of the mother" meant was not at all clear. The judge said that it covered more than the prevention of imminent death, and that the doctor need not wait until the mother was on the point of death before terminating the pregnancy.

He also ruled that it was difficult to distinguish the preservation of life from that of health, since life depended on health.

Dr Bourne, who had notified the police before carrying out the operation, was acquitted. But the precise scope of therapeutic abortion remained *undefined until parliament* intervened in the Abortion Act 1967.

Euthanasia is still murder. Whatever the motive for killing *someone, if a doctor* takes any step to hasten a death as opposed to letting nature take its course he is inferentially intending to kill. And that is murder, unless and until parliament alters the law.

Whether Dr Arthur's case has hastened the day when the law will sanction some form of euthanasia remains highly problematical. In the meantime it is well to ask whether the criminal process is well-adapted to provide any kind of sensible instrument to enforce the present law.

Enforcement rests initially in the hands of the Director of Public Prosecutions. Although it can be expected that organisations like Life will continue to monitor doctors' actions and report cases to the authorities, one can expect caution on the part of the DPP. The likelihood of an acquittal is a powerful factor in his deciding not to wheel into place the mighty instrument of the criminal law.

To that extent the medical profession can feel that Dr *Arthur's* case has served a useful purpose. But the threat of further prosecutions in like instances will remain, and can only inhibit the activities of doctors.

That in itself may prompt the profession to produce some suggested guidelines to doctors that will provide the public with the opportunity of declaring whether there is general approval or not. It is not an area where precise rules can be developed and embodied in legal principles.

Yet there are some valuable *lessons to be drawn from* the trial. One is the fragility of forensic evidence. The reduction of the charge against Dr Arther from murder to attempted murder was the direct result of a successful challenge to the testimony from a distinguished forensic pathologist as to the baby's cause of death. When cross-examined, the expert conceded with commendable propriety that the baby was suffering from malfunctions other than just mongolism.

It is a worrying aspect of the forensic process that, had it not been for a very capable defence team, supported by its own experts on pathology, the testimony of the Crown's forensic expert might have gone unchallenged.

And this is not the first instance of mistakes bei[ng made] by medical experts in [criminal] trials. There have bee[n] miscarriages of justi[ce dis]covered years later [when] expert evidence was al[so] shown to have been d[...]

One of the problems [of] English criminal proces[s is that] facilities for examinat[ion are] heavily weighted in fa[vour of] the prosecution. That a[...] is exacerbated by d[elay in] medical testimony u[ntil the] trial, which may tak[e place] many months after the criminal event.

There is great need [for pro]viding a rival defence [examina]tion with laboratory [facilities] that can be available [from the] moment of the discover[y of an] alleged crime. Some [sort of] equality of arms is nee[ded, not] merely during court pro[ceedings] but before the criminal [process] is set in train.

Another feature of [the case] was the personal orde[al of Dr] Arthur. While doubtle[ss many] of his professional c[olleagues] felt identified with him [during] his period awaiting t[rial and] 18 days in the dock, [he should] not have to bear the [burden] of the publicity.

One of our leading c[rimonolo]gists, Professor Nigel [Walker] of Cambridge Univers[ity, has] advocated anonymity [for the] accused until they ha[ve been] convicted. This woul[d lessen] the impact of the ord[eal of a] criminal trial and remo[ve much] of the jeopardy suffer[ed even] though the person is a[cquitted.] There is little benefit [to the] public from reveali[ng the] identity of an accuse[d before] conviction.

These are two prob[lems] touched on by the Ro[yal Com]mission on Criminal P[rocedure] which reported in Janu[ary. The] Government's Crimina[l Justice] Bill (announced in the [Queen's] Speech) does not enac[t any of] its important recomme[ndations.] But some legislative ac[tion should] not be too long delay[ed. The] whole criminal proces[s is ripe] for a thorough-going [reform.] Dr Arthur's experie[nce should] prompt swifter action.

SOCCER

BY TREVOR BAILEY

More artificial pitches are lik[ely]

THERE IS much truth in the old cricket adage hold your catches and win your matches, while in soccer goals are *obviously the deciding factor.* In both sports, however, it is easy to forget the vital role played by the pitch.

Nottingham would never have won the county championship last summer if the Trent Bridge pitch, which used to be one of the best in the country, had not been transformed into a seamer's paradise.

Soccer was designed for grass, but one of its greatest attractions is that it can be played and enjoyed on most surfaces. This is why the pitch does not affect the game to the same extent that it does in cricket. It can, however, still make a considerable difference.

A Fourth Division team is *more likely* to beat a First Division team if their FA Cup tie is played on a treacherously-icy pitch. Yeovil's performances in *that competition have owed* something to their famous slope.

Most League clubs are heavily *in debt and struggling to survive,* because they cannot exist on gate-receipts alone. Their grounds, which cost so much to maintain, are only likely to be filled, or partially filled, about 30 times a year.

One way to ease their problems would be to utilise the stadiums more

In order to make greater use of Loftus Road, Queens Park Rangers installed an Omniturf synthetic pitch and, to its credit, the League agreed that matches could be played on it because of the likely long-term benefits of such an experiment.

Now that QPR are winning so many home games, visiting managers are complaining, not *about the quality* of the playing surface, but because their teams cannot cope with it as well as Rangers. What I cannot under*stand is why they did* not protest before Omniturf was laid.

My own reaction to the news was immediately to place a bet with Ladbrokes — before the season started — that QPR would finish top of the Second Division, because they were bound to do well at home.

Soccer on a synthetic pitch tends to be faster, with a truer, higher, bounce. As Jimmy Hill has said: "It rewards and encourages skill."

Conversely, if a club decided to play and train on its own grass pitch throughout the season, so that the su[rface be]came bare and uneven, [it would] in all likelihood be [unsuc]cessful; for visiting sid[es would] *find the conditions* [...]

The attractions o[f not] having to cancel a m[atch and] being able to hire th[e pitch] *out to other teams and* if for other functions [are] some of the reasons v[...] have laid their artific[ial pitches] *and it is for these rea[sons]* other clubs are likely [to follow] their lead in the next [...]

No doubt the artific[ial pitch,] which reduces the ele[ment of] luck and increases the [emphasis] on skill, will alter son[e of the] game's characteristics [. There] will be fewer sliding [tackles] for example. But the [game] was intended to be p[layed on] the feet rather th[an the] backside.

RUGBY

PETER ROBBINS

Wallabies start to acclimatis[e]

AUSTRALIA'S handsome mid-week win over redoubtable Pontypool was as welcome to players and management as unexpected in the valleys. On Saturday the tourists went on to win their match, sponsored by Thorn EMI, against the London division, by 25 points to 14. Clearly our visitors have made substantial progress since their arrival.

Sir Nicholas Shehadie, their genial and enormously popular manager, certainly does not look on his team as world champions just because they recently beat New Zealand and France.

He would be the first to acknowledge there are weaknesses. The tourists have recognised them and are working hard to eliminate them. Because of the champions' reputation the team has been closely scrutinised by the opposition.

The immediate, obvious reaction to such mobility is to cut off supply of the ball, to run only the good ball and to eliminate mistakes. All these are basically laudable precepts of the modern game.

I suspect, however, that the Wallabies would be far more anxious facing a side which actually ran at them instead of restricting itself to containment. It may be that Scotland will prove the very challenge.

After the Leicester and Oxford matches critics were quick to write-off the Australian pack in particular and the team in general. Sir Nicholas has insisted all along his players needed six or seven matches to acclimatise.

They have now got used to our conditions. Any side that beats them will have to be fit.

For the moment, success at international level depends on the development of the pack, where line-out work is still inconsistent, and on the good health of Hipwell, their experienced scrum-half.

Cox, the Saturday scrum-half, made several good breaks, linking with his flanker Lucas whose non-stop display of support and tackling must put him in line for Test selection. Slack, the centre, must also be considered seriously for the first Test against Wales.

With Scott still recovering from surgery, England are look*ing for a number-eight* for the earlier part of the season, at least. Cheeseman did not advance his cause. Nor did Cooke, last year's England flanker, his.

In contrast, much like the industry and keen positional sense of the other flanker, Dun. Colclough, on his own admission not fully fit, contrived however some possession at the line-out. Sadly for London, however, when they [won the] ball in the first half, [their] passing was so erratic [...] and others were engulf[ed imme]diately.

That was a pity, [because] London had two splend[id wings] in Williams on the ri[ght and] Bailey on the left.

The other back t[o come] through with tremendo[us credit] was full-back Stringer, [who] was so not only becau[se of his] catching and kicking [but] because of his dashing attacks which widened [...] vision and trouble[d the] Australians.

His game gave a clu[e to the] sort of approach neede[d in con]junction with solid [forward] base and intelligent [...] support.

At Pontypool [...] proved they could take [...] best up front. Tha[t] rather than Saturday's [...] make tacticians think a[...]

RACING

BY DOMINIC WIGAN

Dawson puts on flawless displ[ay]

THE SMALL upper Lambourn *stable of Nicky Vigors has not* thrown up a high ranking race horse this season but in Steve Dawson it appears to have produced the apprentice "find" of the year.

I have seldom seen as stylish a young rider as Dawson. On Saturday he justified the confidence of a good many backers with another flawless display on the Jack Holt trained Hello Sunshine.

He was content to let the Basingstoke trained juvenile bide his time a few lengths off the pace in the early stages of Saturday's Amoco Jockeys Trophy Nursery, and only asked his mount to go and win his race approaching the distance.

For a few strides as Dawson glanced to the right and to the *left it looked as* though the partnership would win as they pleased. However, at the completion of the race challengers came *from the pack, and* it was then that Dawson showed his true worth.

Picking up Hello Sunshine *the Lambourn teenager,* crouching low to his mount's withers, showed all the style and rhythm of Joe Mercer. He asked for, and received, the telling acceleration Hello Sunshine's supporters had been waiting for.

Dawson, who had caught Holt's eye when *partnering* Swinging Rebel to success over Normal Style at Newmarket on Cambridgeshire Day, had previously pulled off a gamble on Hello Sunshine on the same course.

He is a modest and unassuming young rider and is likely to go to the top if his weight allows him.

Lack of pounds could, however, prove a formidable obstacle just as excess weight proved to the careers of Jimmy Lindley and Duncan Keith. Dawson rides at 6 st 12 lbs, a weight he must add to if he is to go to the top.

Most trainers are almost as *reluctant to* put up deadweight in lead as they are to see their charges carrying overweight.

The almost unco[...] American outsider Pro[...] landed Saturday's 30th [running] of the Washington DC [Interna]tional. The score betwe[en over]seas challengers and [American] representatives is no[w] locked at 15 apiece.

NOTTINGHAM
1.00—Weavers Loom
2.30—Krug**
3.00—Cypo*

PLUMPTON
1.15—Grey Gate
1.45—Grand Armagnac
3.45—Denston***

THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

How Japan 'cascades' through Western markets

THE competitive strategy of Japanese companies is much more consistent and systematic than many threatened western companies realise. In consumer electronics, for instance, Japan's invasion has not been achieved in a series of unrelated market segments, as some western analysts maintain, but through a complementary series of steps, from the transistor radio of 30 years ago to today's videotape player.

The only effective way for western companies to defend themselves against future attack — in the domestic appliance market, for example — is to borrow or trump the Japanese approach, according to Marc Particelli, a vice-president of Booz Allen & Hamilton, the management consultancy. "Your industry may be next" to come under attack, he warns.

In a most revealing — and alarming — article in the latest edition of Booz Allen's journal "Outlook"*, Particelli cites Black and Decker as one western company that has managed to take advantage of many of the same techniques that have made the Japanese so successful.

Its formidable position as leader in virtually every market segment it has entered is due mainly to its "corporate religion" of productivity through innovation, says Particelli. Not only does it put unusual emphasis on product innovation and responsiveness to the consumer, but it follows a rigorous policy of regular reductions in all elements of cost. Each Black and Decker product is expected to show cost reductions of at least 4 per cent a year without any sacrifice in quality or performance, according to Particelli. As a result, its product costs are the lowest in the industry.

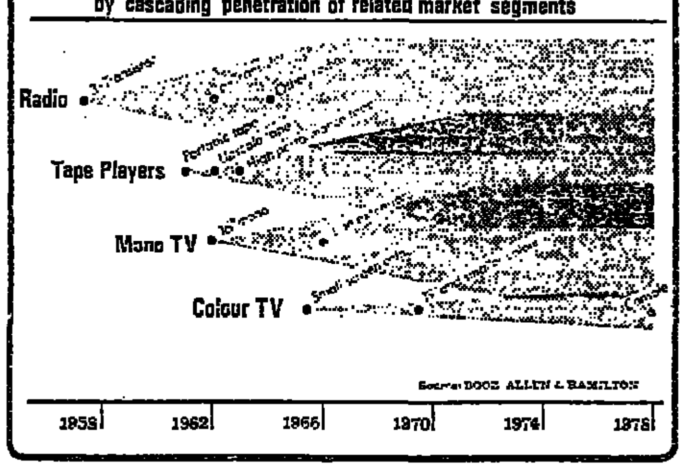
Tracing Japan's gradual penetration and dominance of the U.S. consumer electronics market, Particelli describes what he calls a "cascading pattern" beginning with carefully selected small segments and gradually moving across the entire market. This applies both within broad product markets (transistor radios for example) and within consumer electronics as a whole (see illustration).

Examining this process in detail, Particelli concludes that a number of critical success factors underpin Japanese strategy. They include:

● **Initial penetration of well-defined target segments:** "As a rule, the Japanese start with a large business in their highly protected home market, enter peripheral markets — in the advanced LDC countries, for instance—and then take dead aim at U.S. and European markets. Their initial U.S. penetration is always at an extremely well-defined target segment, with a limited line—typically at the low end of the product category. They pick off volume channels where economical distribution can be achieved, with little concern for whether they market private lable or branded products. Usually they rely on retail push and private labels rather than on investments in marketing for brand 'pull'."

● **Volume stimulation and segment domination:** "Their initial base secured, the Japanese then proceed to stimulate volume and dominate that particular segment. This achieved, they move on to another segment and repeat the process, always concentrating on providing consumers with low price and extremely high quality, driving continually for price and cost (reduction) to increase consumer support and stimulate growth."

● **Resource application: product and cost vs. innovation.** "The Japanese support their emphasis on value in price, benefits and quality by applying resources in a way that differs dramatically from their U.S. and European competitors.



JAPAN'S EXPANSION STRATEGY: by 'cascading' penetration of related market segments

"In general, the early emphasis in resource allocation by U.S. manufacturers is on innovation: the invention of new products and applications, and product improvements. As a market begins to mature, emphasis is placed on market stimulation through marketing and sales. Only at the mature stage does the American manufacturer begin to focus a disproportionate share of his resources on cost (reduction).

"Japanese firms take a different approach. At about the same time that U.S. manufacturers begin to diminish their product innovations, Japanese competitors enter the market with a significant emphasis on innovation, in order to differentiate product benefits and design for low cost. This heavy emphasis on innovation falls off rapidly; almost immediately the level of resources devoted to cost (reduction) escalates and remains high."

● **Establishing consumer value and building market presence.** "As a key element in their strategy, the Japanese have consistently relied on private brands, letting them assume marketing risks and then building their own brand presence from this secure private label base. By taking this approach, they have established a strong consumer franchise; a majority of buyers worldwide now consider Japanese products to be superior in quality and value to American and European-made ones."

● **Cost cutting all fronts.** "In order to achieve both low retail price and superior retailer margins, the Japanese need to deliver their product at a low wholesale price. To do this, they put strong emphasis on economies in all major cost areas: manufacturing, distribution, marketing. This emphasis on all costs, from production through consumer purchase, is another key element in Japanese strategy that distinguishes it from that of American and European firms."

● **Implementation in a global market place.** Japan has developed the ability to look at the entire world as a potential marketplace. Starting from the home base, it moves on to a global level in order to realise sufficient economies of scale. Particelli focuses particularly on the Japanese tendency to enter Western markets in a concentrated geographic area and in a segment which is small and frequently unimportant to domestic companies. This provides the basic knowledge, people, systems, and customers from which to build broad acceptance and capture market share. These early steps should be a warning signal for domestic companies, he says.

This overall pattern is already being repeated in the U.S. domestic appliance market, according to Particelli. Like other industries successfully penetrated by the Japanese, it is large, apparently mature and slow-moving, and is dominated by a few large, seemingly effective competitors with "huge" investments in ageing plant and equipment.

These factors have in general prompted the leading U.S. companies to cut investment and product *innovation*—to treat their appliance businesses as "cash cows," to use the fashionable term.

But Particelli points out that this is occurring at a time when there are significant changes in products, efficiency, reliability and costs on the horizon. As American brands move towards homogeneity, consumers are demanding new and different product features, and new market segments are emerging, such as microwave ovens.

A number of Japanese appliance companies are already penetrating the U.S. market, initially in countertop microwave areas and refrigerators. The next step will probably be expansion into the full refrigerator product line, he warns, followed by moves into washing machines and cookers.

"At first, Japanese firms will focus on 'retail' distribution rather than building markets and will pursue private label arrangements as hard or harder than branded business. They will select volume channels because they can be served at low cost, and they will be very flexible in their mix of imports, local assembly, local manufacture and world sourcing of components. The action will not occur rapidly; the Japanese will creep into this market and it may take them 20 years to make major inroads."

** Outlook number 4. Booz-Allen and Hamilton. Headquarters in New York and Paris with offices in London, Dusseldorf and other cities. London address: 73 Brook Street, London W1.*

Christopher Lorenz

A CadCam maker champs at the bit

Quest, a high flier in the UK, is giving serious thought to the U.S. market to realise its medium term growth ambitions. **Jason Crisp** reports

SOMEWHAT ironically a fast-growing British electronics company owes its success in large part to the Moscow Narodny Bank. When the company won its biggest ever order —worth twice the previous year's annual turnover and albeit from the Soviet Union—no conventional capitalist bank would help it increase its working capital.

The irony is given a certain piquancy because the company was nearly forced into liquidation at the same time—not through its own fault but as a repercussion of the secondary banking crisis in the early 1970s.

Today Quest Automation can boast that it is the largest *independent European* manufacturer of computer aided design systems. Although there are a number of British companies involved in computer aided design and manufacture (known as CadCam) Quest has become a flagship for Britain's presence in the field. It should be added that it is a very small ship compared with its U.S. competitors. Redac, its main UK competitor, is a subsidiary of Racal, and is of similar size.

The company was founded in 1968, when CadCam was in its infancy, by three dissatisfied electronics engineers after they had left Plessey, the electronics group, at Poole. In addition to their own money, the three raised initial finance for Quest from Brandts, the merchant bank, which gained a controlling interest. Later, Brandts (now Grindlay Brandts) sold its majority holding in Quest to another merchant bank, Edward Bates, which at that time had only recently been floated as a public company.

But in 1975 Bates ran into deep financial trouble—it was later rescued by the Bank of England—and called in a loan of over £800,000 it had made to Quest. The timing could not have been worse for the fledgling CadCam manufacturer.

For two years Quest had been singlemindedly devoting an extraordinarily large part of its resources—10 per cent of its annual turnover—to a major marketing effort in the Eastern bloc.

The gamble paid off at about the same time as Edward Bates started to tug the rug from under its feet. The Soviet *Union placed an order for* £1.5m over two years, which may be compared with Quest's total sales for 1974 of £756,000 —in its 1980-81 financial year turnover rose from £7.5m to £10.55m.

Unsurprisingly Quest was in no position to repay the loan. Gresham House Estate and two other investment trusts bought Edward Bates's 80 per cent stake for a nominal sum and negotiated a repayment of the loan. But there was still the problem of increasing the company's working capital to meet the Russian order.

Tony Ebel, who headed the Gresham team which looked at Quest, comments: "To us it was incredible that no one else had the gumption to put money into that industry. And when Quest signed the Russian order and started to deliver we could not get any British bank to take a view on it . . . only the Moscow Narodny."

He hastens to add that the company now has a good relationship with its UK clearing bank.

Quest's first product was a photoplotter, a highly specialised piece of equipment for the electronics industry which converts a printed circuit board design that has been created with the aid of a computer into a very accurate photographic mask of the board.

Quest, which does not sell in the U.S., claims to have the largest share of the European market for photoplotters, and to be second only to Gerber Scientific, a U.S. company, worldwide. It now has a range of products including the computer hardware and software for its own CadCam system.

Complex

The early growth of the Cad Cam industry began in electronics as the process was used to help design increasingly complex printed circuit boards and integrated circuits. (Today it is almost impossible to design a printed circuit board without Cad). But over the last five years there has been a very rapid increase in its use in mechanical engineering, particularly in the aerospace and automotive industries. It is also increasingly being used in construction and architecture.

Computervision, the U.S. company which, with sales of \$224m, has a dominating 40 per cent of world markets, was one of the first to realise the potential use of CadCam in mechanical engineering.

Quest, based close to the south coast resort of Bournemouth and which in 1980-81 achieved sales of £10.55m, has until recently concentrated on supplying systems for the electronics industry. Earlier this year, it began to extend its abilities when it bought Genesys, a currently loss-making specialist in software packages for design in the architectural, civil and construction engineering fields, from the National Research and Development Corporation—now part of the British Technology Group (BTG).

The company is also beginning to offer mechanical engineering systems. Although it will in part develop its own programmes it is likely to buy already developed programmes from UK software houses. Tony Ebel, now Quest's managing director, believes that the best software for computer aided design is still written in the UK, in spite of this country's small commercial presence in the field.

Another present limitation to Quest's growth is its absence from the U.S., which accounts for around 60 per cent of the world market. Although the company was originally helped on to its feet by an early order of 20 photoplotters from the U.S. worth over £250,000 it has not seriously tried to sell there since.

One of the problems which deterred it was the difficulty it had in providing the necessary service and customer support. It was also put off by the strength of sterling against the pound — particularly as computer equipment is often sold in the U.S. on a dollar for pound basis.

Tony Ebel says that Quest is now looking very seriously at the U.S. market which has become much more attractive following the recovery of the dollar. And as Ebel notes: "In the long term it really does not make any sense not to be in the U.S."

He despairs of the weak UK demand for computer aided design and reflects: "The horrible truth is, we should be based in the U.S."

Illustrating the state of the UK market he says that decisions on whether to buy a system in the UK takes nearly twice as long as in France and West Germany where he detects a very different attitude to investment in new products.

"It makes you worry desperately for the future. Last year it was most noticeable that investment in the UK was much lower while Germany was not affected. The gulf in high technology equipment is getting wider and wider," says Ebel. The state of the various markets is reflected in the fact that 63 per cent of Quest's sales last year were exports.

(Last month the Department of Industry announced it would spend £6m on raising the awareness of British companies in computer aided design and manufacture on a scheme similar to the microprocessor awareness programme, MAP.)

Trevor Humphries

Tony Ebel: "It really does not make any sense not to be in the U.S."

Quest has received some criticism for developing—with the help of the NRDC—and making its own mini computer. Most companies in computer aided design, with the notable exception of Computervison, purchase equipment from one of the leading U.S. manufacturers of minicomputers like Digital Equipment (DEC) and Data General.

One of the main reasons Quest began to make its own computer was its vulnerability to the whims of a U.S. manufacturer. It once saw the delivery dates for the U.S. minicomputer it was using stretch from 30 to 180 days in the space of weeks.

Quest has also developed two new products outside computer aided design although they are partly based on some of its technology. Micropad is an innovative small device which enables someone to enter data into a computer by writing, instead of using a keyboard.

Although a Micropad costs £1,300, Quest has sold over 600 for a variety of uses from logging sheep auctions to taking telephone orders. The advantage of Micropad is that it is very easy for people not familiar with computers to use. There are some competitive products but the main question is whether there will be enough demand to bring prices down. Ebel notes: "The potential market is devastating but the reality is it is a concept which may take a while to catch on."

Fraudulent

Quest has also developed a signature verification device which can be used for credit card security, computer access and electronic banking. It measures a number of aspects of a signature, including shape, speed and pressure and it is claimed to be almost impossible to fool. Again there is a potential mass market for signature verification equipment, especially because of the high level of fraudulent use of credit cards.

As Quest is more than aware, it has some difficult hurdles to clear if it is to become an *international force in computer* aided design. First its relative small size is a handicap. Its much larger competitors have much more resources. But this summer the National Enterprise Board, now BTG, invested nearly £2m in Quest at the time of a rights issue which raised a total £4.7m.

Second, Quest is still largely dependent on the electronics industry for computer aided design, which is the market likely to show the slowest growth. Much will depend on its ability to develop mechanical engineering packages and to make profits from Genesys which was a lossmaker under NRDC's hand.

And finally the company has the difficult task of tackling the U.S. market where competition to supply the electronics industry is likely to prove tougher than in Europe.

TECHNOLOGY

EDITED BY ALAN CANE

Defuma's mobile dust extractor

A MOBILE dust extractor claimed to be capable of trapping particles less than .5 microns in size has been developed by Defuma, a subsidiary of the Peterborough-based Noble Group (0733 44144).

The dust is extracted by vacuum through a 127 mm diameter self-supporting cantilevered tube with a working radius of 3.5 metres. The pick-up rate at the point of extraction is claimed to be 1,100 cu metres an hour. The dust is then drawn into a 0.06 cu metre container.

Filter

While the heavier particles remain trapped in the container the remainder pass through a 1.5 sq metre filter and the cleaned air is fed back to the atmosphere. The filter is claimed to have a recorded efficiency of 99.9 per cent under BS 2831 Part 2.

Since the decibel count of less than 60 dBa is well below the recommended limit of 85 dBa neither ear muffs nor a protective mask need be worn by the operator, Defuma says. The unit weighs 104 kg and measures 450 mm by 750 mm by 1,030 mm.

Italian system put to test at new bank

BY ALAN CANE

THE BANCO DI SICILIA opened for business in London *10 days ago, proclaiming its new* presence through large advertisements in the national Press.

As befits an international bank, its new Bishopsgate, EC2, offices are impressively modern; what is less obvious is that the working of the bank is underpinned by one of IBM's most advanced computers—the System 38—yet the banking system running on the machine is having its first real test in public.

The system is called IBIS 38; it was designed by the Italian International Bank for its own use and written by a comparatively new software house, Interactive Database Systems (IDS).

The Italian International owns *the system, but IDS is marketing* it: the Sicilian Bank is its first order.

Starting up an entire bank on a new and comparatively untried computer system is nail biting stuff; but the early signs are encouraging. Mr David Yardley, chief accountant at the Sicilian Bank and its banking automation specialist, says that after some teething troubles, he is very pleased with the system: "It is one of the few banking systems I know which was custom designed by a bank for a bank and then put out to a software house to write. It is very *flexible and easy to use.*"

"We are using a System /38 with four visual display units and we have another four ordered. We limit the kind of requests our people can make of the system, but the terminals are out there in the office for all of them to use."

According to Mr Michael Newman, a director of IDS and formerly an IBM technical specialist who worked on the System /38, the system was written to take advantage of the special features of a machine which remains perhaps the most remarkable that IBM has built.

It cost about U.S.$1.2bn to develop, massive by any computer company standards, but it is the first significant departure IBM has made from its conventional and 20-year-old big machine architecture.

Its special features include hardware and software designed to give particularly powerful management of the information stored in the machine and built-in security.

In fact, an ideal machine for banking applications, a fact that has not been lost on the UK leaders in the banking systems market. BIS, for example, rewrote its Midas package to fit S/38 some years ago.

Hoskyns has just announced a S/38 version of its Kapiti package which has been sold to the Bangkok Bank in London and the Luxembourg branch of Paribas.

IBIS 38 costs about £30,000 in basic form; a typical installation cost would be £100,000 with the cost of the S/38 machine, £70,000 or so, on top of that.

Many banking packages which now cater for the general needs of medium to small banks started life as foreign exchange back office systems; now companies are vying with each other to automate information to the foreign exchange dealer—something that is generally regarded as poorly handled by earlier systems.

Chase Manhattan, for example, has its FEATS system based on Datapoint equipment and its ARC local area network.

One of the most exciting new systems has been developed by Morgan Guaranty and based on video technology. This is a technique for foreign dealing on the grand style.

The system runs on a Data General Eclipse microcomputer. The dealer terminals, some 200 of them, are linked to the computer by coaxial video cabling.

DAVID YARDLEY, chief accountant of the Banco di Sicilia: system is flexible and easy to use

According to Mr Paul Robathan, assistane vice-president at Morgan Guaranty, and leader of the team which designed the system the chief advantages of the system are high speed updating of a huge number of terminals simultaneously.

On the dealers' desks in London are small Reuter-style screens and keyboards on to which dealers can call information about rates, make calculations and key in changes in rates.

The Morgan System, written in the UK, is already running in its New York offices. Citibank is using a similar system.

The software—DIDS—is now being marketed by Logica, the UK software and systems company.

A much more orthodox approach is being taken by the management consultant Armitage Norton, which intends to market a dealer information system written in Germany and based on a Norwegian minicomputer.

The package, Valuta, has already found its first sale, to the Kredit Kreissen Bank in Oslo.

The system runs on the Nord 100 computer, a good machine built by the well-regarded Norwegian Company Norsk Data. (Norsk Data computers are used in a number of international high-technology projects in Europe.)

The package was written by the German software house, *Informatik Forum.*

Mr Christopher Brooks, managing director of Armitage Norton, says a system can cost from £70,000 up to £400,000.

Typically the dealer would work with two screens on his desk, together with a special keyboard enabling him to call up two sets of data simultaneously. The information available includes spot and forward rates, and cross-currency dealing information.

Upstairs an[d] downstairs

THE OFTEN awkward back-breaking job of handling heavy or bulky eq ment such as safes or compu to upstairs offices can mechanised by means of a s climbing vehicle developed the Netherlands company BV and marketed in Britain Handling Equipment (68154).

A compact tracked veh claimed to be capable of ca ing loads up to 1,000 kg, powered by a 1 hp elec motor and has two moul rubber tracks and hydraulically-operated t which holds the load leve all times.

Climbing speed is said to three metres a minute and lift and drive controls operated by remote buttons. The unit, which on mains current throug standard 13A plug and can be transported on a lorry or in a large van.

A smaller version of vehicle, with a carr capacity of 300 kg and a s of eight metres a minute, is available.

Instant on-line chart service for analysts

BY JEREMY STONE

DATASTREAM the computer-based financial information service, has introduced an instant on-line chart service, known as Graphics, which will enable investment analysts to gain access to large amounts of financial information in graphic form.

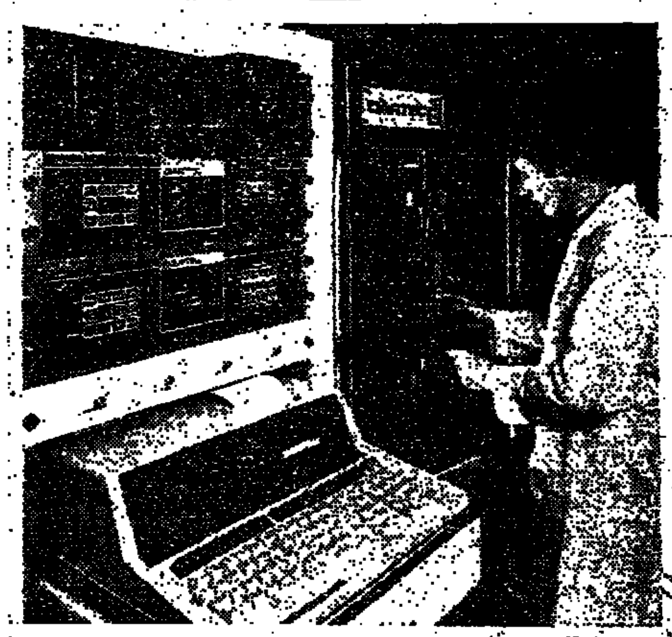
Graphics makes this possible by linking Datastream's databases—including UK and international equities and bonds, market indices, economic series, exchange-rates, interest rates, and bullion prices—with new *Lynwood Alpha-Graphic terminals.* A printer is supplied with the terminal, allowing charts to be transferred from the screen to hard copy (the size of the copy can be varied).

Some 28,000 financial and economic and financial time series are available, all constantly up-dated and stretching back—in many cases—to the mid-1960s.

Taking only unique pair series, Datastream estir that more than 400m charts be generated. Programmes cluded in the Graphics se allow data to be transfo into INDEX NUMBER or form; price-relatives or mc averages are immediately able.

The service is very eas use. Commands are entered a "menu"-style display, w makes it clear what option offered by the chosen gramme. No program. knowledge is needed; Grap *is a flexible system designe* be used directly by the s brokers, bankers and fund agers who are the consu of financial statistics.

Graphics is available to isting Datastream clients £5,500 per annum; new scribers can have it at £1 as a stand alone fac (Prices exclusive of V. More from Datastream on 250 3000.



Dartec moves forward on tester concepts

THE EMERGENCE of new *materials and the need for* exporters to conform to more complex technical legislation in world markets should encourage interest in a testing system that can, in its way, turn its hand to almost anything.

The choice of computer designed testing machines is fairly wide, but what Dartec has done is to take the concept some stages further. A number of microprocessors are incorporated into the machine, each dealing with particular functions of the testing system and each addressable by the customer's or Dartec's computer.

A small supervisory computer enables the system to do more different tests than more conventional machines like changing programmes, changing safety limits and producing data. This data is claimed to be more easily put into the form an exporter needs.

The Dartec 9500 system embraces a range of fatigue and static testing from a few grammes force to more than 1,000 tonnes for the civil engineering, aerospace, spr plastics and other industries

Customers can telephone forces required to test t machine or component *information extracted from* test can be relaxed to t computer where applicable.

A graphic capability can provided in addition to a p out. Any further resea required to go deeper int problem or to make a statist analysis related to product demands can also be carried

For quality control to me national standards a sim programme may be written unskilled operators, or m complex programmes university or other resea establishments, either to materials or specifications.

Dartec 9500 will be introd ing itself to Far East mark at the instruments and e tronics exhibition at Pek November 23 to December The system costs from £30, to £50,000. It is made by Dart Stourbridge Trading Estate, Race Lane, Stourbridge, W Midlands. Tel: Stourbri 77433.

PETER CARTWRIG

Small press

PRYOR AND SON of Sheffield claims "the most positive advance in standardised small presses for years" with its new range of hydro-pneumatic presses designated the Pryomark 31, 32 and 33. Each machine can be bench or stand mounted with a wide range of optional extras. More from 0742 739044.

Readout system

SONY MISER, developed Sony Magnescale, the indust products wing of the Sony Gr is a digital readout system machine tools. The stand Miser system with a liq crystal display, has .0002" .0005" switchable resolut Typical price would be ab £790. Details from 01 380 84

THE ARTS

Boston Centenary

by ANDREW PORTER

The Boston Symphony was 100 years old on October 22, and played Beethoven's Ninth Symphony on Boston Common to an audience estimated at 100,000. The next day, Roger Sessions's Concerto for Orchestra—one of the numerous centennial commisisons—had its first performance (Peter Maxwell Davies's Second Symphony has already been reviewed on this page; Tippett's full-evening oratorio *The Mask of Time* is due in 1983. Free champagne served in plastic "glasses") was flowing in the lobbies and corridors of Symphony Hall; again at the next day's repeat. Sessions will be 85 next month. The audience rose to applaud him after the piece.

Back in 1927, the BSO under Koussevitzky gave the first performance of Sessions's First Symphony. In 1957, for the 75th anniversary celebrations, it commissioned and played Sessions's Third Symphony — and has never played it since. All his orchestral music he has said, has in a sense been composed with the *sound* of the BSO, which he first knew under Karl Muck, as a 14-year-old Harvard student in his mind's ear. And for the centenary he has given the orchestra — and the world — a masterpiece.

The concerto for orchestra lasts about 15 minutes and is for large orchestra. Unlike the Bartok's Concerto for Orchestra (also written for the BSO), it is not an "orchestral showpiece" in distinct movements but a long span of beautiful, energetic, lyrical sound-adventure in which woodwinds and brass carry the main matter of the music. The strings join in at tuttis; otherwise single string lines contribute to the discourse, double the winds, or trace new melodies culled from various wind lines.

Like most of Sessions's music, the Concerto is exuberantly contrapuntal. As in *La Mer*, just about everything is motivic —and laid out so surely that the "picture" moves and dances. One embarks on the long span with animated gait, moves more slowly across the central section (an intense, lyrical Largo), then quickens pace toward the close and pauses there, quietly rapt, to consider both the journey made and the realms to which it may lead. Elliott Carter's phrase for Sessions's music, "opulence of sound and of imagination," is apt. Has there since Heinrich Schütz been a composer who at the age of 85 was composing at the height of his powers?

I must declare an interest. Just before embarking on this review I posted to Princeton, where Sessions lives, a draft of a libretto for the comic opera he wishes now to compose. (He approached me about it after hearing *Falstaff* at the New York City Opera). I hope he likes it. If he doesn't, someone else must write it for him. For he is America's great composer. Yet the record of Sessions performances in this country is pretty miserable. (The BBC Symphony has played more of his music than either the Boston Symphony or the New York Philharmonic.) Some major works are still unheard in New York—including the opera *Montezuma* and the Whitman cantata *When Lilacs Last in the Dooryard Bloomed*. Sessions has never been a "nationalist," but if one had to put forward a single piece as the example of American music at its highest, it would surely be *Lilacs*.

In February next year, however, the Juilliard School is producing *Montezuma*. The New York Philharmonic has no Sessions in its current season. After the Boston celebrations, the Boston Symphony embarked on a world tour—with not a note of American music in its programmes. In Japan, Paris, Germany, Vienna and London it will play only Beethoven, Schubert, Stravinsky, Bartók and Webern. The Sessions Concerto for Orchestra was followed by Beethoven's Ninth Symphony. I am happy to leave assessment of Seiji Ozawa's account of the Ninth to London colleagues; the Boston plays it in the Albert Hall in November.

Maclean

Art in the City

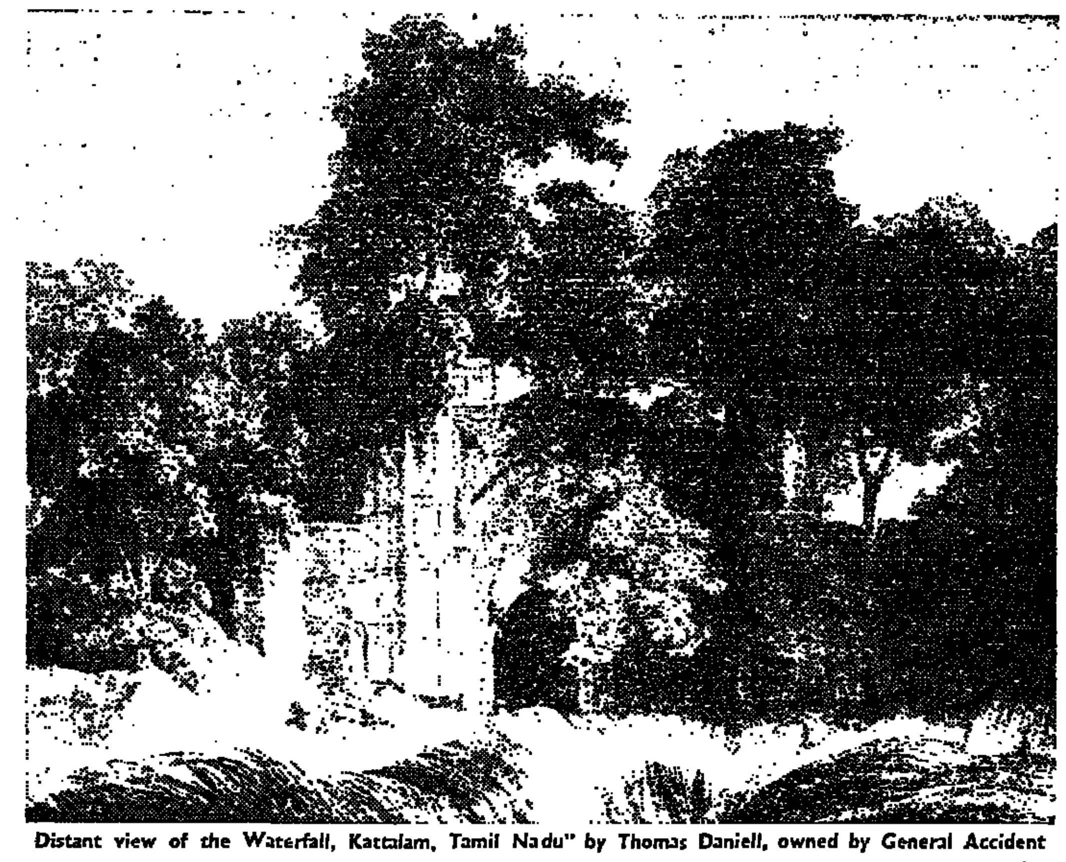
by WILLIAM PACKER

A bare wall, the defensive preciosity of certain modern architects notwithstanding, is an abomination; and it is equally safe to say that real works of art best repair the defficiency. Just what to choose: old or new, large or small, paint or print, is of course a matter entirely for particular taste and circumstance, and the more particular that taste the better — no true collector can ever be a committee.

What is both fascinating and encouraging is that once embarked upon, the collector's course is likely to run on. What may have been merely a good idea at the time, an expedient even, becomes a habit, and the individual and the great corporation alike find themselves, often in gratifyingly short a time, possessed of an accumulating asset as delightful as it is valuable. If not every secretary or executive approves exactly, familiarity does breed, well, familiarity. Art quietly gets on with its civilising work in its own good time.

The Maclean Gallery has had the bright idea of looking at a little of what just a few of our City institutions have in their offices, boardrooms and corridors (until November 18) and by no means every important collection is represented. The FT, for its part, however, quite rightly boasts its own participation with the large marine still-life by Edward Wadsworth that usually graces this very office; but it is not at all the only plum in the show, which covers a lot of ground, from the Stock Exchange's Rowlandson of itself to the delicious Cadell still-life from Fleming Holdings' admirable collection of Scottish painting.

Munnings and Ginner from Whitbread, Tom Phillips and Bomberg from De Beers, John Nash and an exquisite Sussex landscape by William Nicholson from Save and Prosper, a major Nevinson cityscape from Asaire and Co.; so the list goes on. Such an exercise could well bear regular, and certainly more extensive repetition.



Distant view of the Waterfall, Kattalam, Tamil Nadu" by Thomas Daniell, owned by General Accident

Sadler's Wells

Belshazzar

by RICHARD JOSEPH

Charles Jennen's original text for this oratorio is full of strongly contrasted stage pictures, impressive entrances and exits, so Handel Opera's revived production of *Belshazzar*, which opened on Saturday night, had a general feeling of rightness and inevitability about it.

The strong cast was dominated by Lois McDonall, whose vivid presence and large, dramatic voice lent urgency and variety to the monologues of Nitocris, Belshazzar's mother. She was well contrasted with the gentle determination of the prophet Daniel, equally well sung by James Bowman.

Anthony Roden has a boyish openness and good humour that make it difficult to accept him as monarch bent on dominance and depravation. Though he sang the title role nicely, a sense of danger—and consequently, of excitement—was missing. His opponent, Cyrus of Persia, was confidently portrayed by Anne Wilkens. This part is pretty much the least interesting of the major roles, but Wilkens's full, steadily focused mezzo enlivened each of her arias. It's just the right sound for Handelian travesti parts in a large house; one hopes Wilkens's Wagnerian successes will not alter the admirable focus of her voice.

Vigorous pacing, nicely varied dynamics and articulation marked Charles Farncombe's conducting. He obtained generally excellent playing from the orchestra and managed to disguise, or at least to allieviate, the flaccid work of the Handel Opera Chorus.

Their judicious blend of static groupings and largely meaningless movement was the chief drawback of Chris de Souza's production. The principals were intelligently placed and left to fend for themselves; fair enough. But the amateur chorus was expected to keep still or move with a Wieland Wagnerian discipline beyond both their own ability and the practicalities of a limited rehearsal period.

However, this revival, like most of Handel Opera's efforts, is well worth a visit. The company is apparently operating under considerable financial difficulty, yet it continues to produce work that is both interesting and rare. It has certainly done more for Handelian and pre-classical opera in general than the scores of identikit Authentic Baroque ensembles scrambling on the Early Music bandwagon, and it deserves to prosper.

Liverpool Playhouse

A Tale of Two Cities

by MICHAEL COVENEY

In its 70th anniversary year, the Liverpool Playhouse has looked boldly to the future and appointed four playwrights—Chris Bond, Willy Russell, Alan Bleasdale and Bill Morrison—to the artistic directorate. "Nothing we do will have been done in vain" declares Madame Defarge on the road to revolution and this spirited attempt to stage one of Dickens's most intricately plotted novels has its good points. But it lacks any sense of steam-rolling apocalypse and the peculiar mixture of perfervid description and ambiguous excitement that constitutes the soul of the book.

The adaptation is credited to the company and the production to Chris Bond and Pip Broughton. Whereas the RC used *Nicholas Nickleby* as a showcase for a virtuoso ensemble style and an unequivocal statement of commitment to the powers of fluent narrative, the Playhouse's attitude to its material is more eccentric and selective. Voytek's design is colourful and crude, sharp-edged scenes played in murky lighting and dominated by savage cartoons. The first trial of Charles Darnay, for instance, is populated by an assembly of actors and periwigged dummies that would not disgrace Fluck and Law. Dickens's sarcastic invective against Monseigneur is channelled into a delightful tableau at the expense of the Marquis, an orange backdrop with human flunkeys in death masks.

The show is run by Gillian Hanna's uncompromising Madame Defarge, draped in a long knitted red scarf and not at all the cackling crone of popular representation. The sound of the *tricoteuses* is confined to the sound-track, the storming of the Bastille conveyed by two actors shinning up a steep wall before the guillotine is ceremonially revealed in a wash of red light.

Alan David's Sydney Carton could perhaps be more emphatically dissolute in the earlier stages but the story that leads him to switch places in La Force with Charles Darnay (Rod Culbertson) is clearly laid out. The adaptation suffers from the same flaw in the novel, a lack of depth in the characterisation, although there is an excellent and likeable study by Chris Darwin of Jerry Cruncher and Mary Sheen is busily effective as Miss Pross.

Wigmore Hall

David Lumsdaine

by MAX LOPPERT

It would have been sad indeed if David Lumsdaine's 50th birthday had passed unnoticed in public. Well it might have, but for a recent Radio 3 tribute and for Friday's concert of his chamber music, played by Gemini and organised and attended by pupils and enthusiasts. Lumsdaine, an Australian long resident in Britain and since 1970 lecturer at Durham (where he has gained an enviable reputation for his composition classes), is also one of the most significant composers of his generation. The trouble is, as Michael Hall summarised it in a fervent address, that his music, not profuse in output, remains hard to pigeonhole — too toughly argued, too sinewy, to court immediate popularity, yet made vivid beyond the realms of the respected "difficult" composers by the active non-Western colours and sympathies that infuse every creation.

Lumsdaine's best music leaves a mark: a quality of dry, uncluttered freshness, pervaded by sunburnt, sandswept perceptions of nature, deposits in the memory a host of potent sound-images. (I've heard *Sunflower* only a single time, at its Northern Sinfonia London first performance in 1976, yet its drowsy, multi-hued textures have proved unforgettable.) Even the famous "tough nut" *Mandala II* (1969) for five players, of which the Gemini players gave a poetic, perhaps less than ideally incisive account at the start of the evening, never loses its mastery of picturesque detail through the most violent disruptions and captious discontinuities of its long *unfolding* process. The open surfaces of the music, and the tensions posed between buzzing surface activity and inner stillness, provide the sources of its craggy but invigorating impact.

The other most important musical event of the concert was not the medley of short musical tributes written for the occasion by seven Lumsdaine associates (including Nicola LeFanu and Anthony Gilbert) and given variously as frame of and accompaniment to *Kangaroo Hunt* (1971) for piano and percussion; for the collective experience was confusing rather than festive, neither fish-Lumsdaine for fowl-miscellaneous. It was, rather, the London premier of *Mandala III* (1978), in which a small chamber ensemble and solo pianist begin by contemplating the final chorus of the Matthew Passion. Disrupted by strokes on a Chinese bell of varying urgency, Bach gives way to a vast pianistic meditation, revelatory in both its virtuoso arabesques and its silences of a profoundly non-Bachian mode of thought.

A coming together is proposed as the finale; it did not feel fully like East-West synthesis outlined in the programme note, partly because the musical "antipole" constructed by the solo piano appeared to lack inherent dramatic conviction, a palpable and indelible character of its own. This is a long work, and, at a first hearing, its thought processes proved hard to follow; yet there was sufficient fascination in its luminous sound-worlds — among other things, Lumsdaine writes with rare resourcefulness for the piano—to make a second performance a prospect to be encouraged rather than dreaded. Ronald Lumsden, who undertook the piano solo, had earlier given an authoritative reading of Messiaen's *Cantéyodjayâ*—not the least reason for considering this a substantial and rewarding concert.

Elizabeth Hall

Jerome Rose

by DOMINIC GILL

I have heard now four concerts by the American pianist Jerome Rose, and they have followed a downward gradient. The first occasion was in 1972, when after an exciting recital of Schubert, Beethoven and Schumann I described him as an artist of considerable stature. Some three years later, another recital recalled the same technical prowess, but rather less of the same poetry and excitement. But by 1981, although it still preserves a substantial remnant of the fine physical technique, the playing had gone careless and soft. I was disconcerted last July to hear Mr Rose give a performance of Schumann's *Davidsbündlertänze*, during a shared recital on the South Bank, of quite remarkable ineptness and vulgarity. And his recital on Thursday summoned barely a shadow of the pianist of nine years before.

One glimpse, perhaps: in *Funérailles*, from a group of three of Liszt's best-known *Harmonies poétiques et religieuses*, a sudden, short-lived command, exhilarating and vivid, was revived (together with some fatally very splendid blitz-octaves). The rest of the Liszt coasted along on Mr Rose's ability to project a grand "effect" while actually paying only the scantest attention to detail — a world in which a *crescendo* might just as well be (and often is) a *diminuendo*, a *staccato*, a *legato*, a *smorzando*, an *accelerando*; and in which words like *dolcissimo* and *espressivo semplice* have almost no meaning at all.

For Clementi's B flat sonata Op 24 No 2 and for Schubert's great A major sonata the tonal palette was essentially monochromatic: thinner or thicker layers, according to the dynamic required, of the same kind of sonority. After a while such delivery produces a powerful aural claustrophobia: three movement of Clementi and four of Schubert drawn in the same, slightly muddy (and generally overpedalled) shade of aqueous green. Much of the Schubert was merely slapdash: but even at its most coherent, the music was reduced to a pretty wash of effects, a collection of facilely striking images, without any kind of clarity or pungency of outline, or consistency of diction.

Upstream

A Journal of the Plague Year

by B. A. YOUNG

To begin their seven-week season at this little theatre in Short Street, opposite the Young Vic, the Cherub Company has an adaptation of Defoe's *Journal of the Plague Year* by Peter Fincham. Mr Fincham has followed two main tracks of narrative, one, the life in plague-stricken Aldgate of John Foe during the summer and autumn of the year 1665, and two, the misfortunes of Sarah and her naughty sister Rachel, who tried to leave London and find the world against them.

Around these he has woven a tapestry of the sufferings, the decency and the dishonesty which sprang from the epidemic. It is done with a company of six, three men and three girls, with a great number of masks and costume-changes to enable them to take in 40 characters. The style is the familiar Cherub style under Andrew Visnevsky —familiar to addicts, anyway, short quick Expressionist scenes in which a character's visual impact is more important than deep characterisation, so that it doesn't matter atall if men are played my women and vice versa.

There are scenes of peculiar horror, such as the crimson-robed Death tolling off the bills of mortality each week, and of heroism, as in the tireless work of Dr Heath and the patience of Foe's servant Mary. I think it is a pity that Mr Fincham should have chosen to write his dialogue in present-day Cockney. The discordant sound of "the bloody hats" and "the bastards" punctures our illusion, so well conjured in the original journal, of actually attending at these ghastly events.

A modern plague would be quite different, as we know from Camus's La Peste. When I suddenly heard the resonance of King James's version of the 91st Psalm from the stage, vainly invoked against the universal sickness, the modern chatter of the common people became unreal.

It is all played on a plain, flat open stage, with two grisly cloths behind, painted by Amanda Wilson. I do not think that it has quite settled down yet, but there is much in it to admire.

WNO's new production of Handel's 'Tamburlaine'

Welsh National Opera has announced a major new production of Handel's *Tamburlaine* to tour extensively throughout Wales in the early part of 1982.

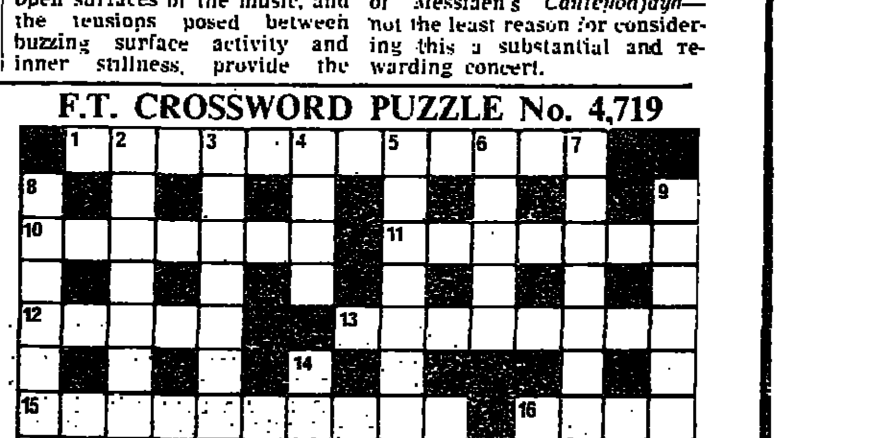
Tamburlaine marks the operatic debut of leading theatre director and dseigner Philip Prowse and will be sung in a new English translation by Robert David MacDonald. Prowse and MacDonald are co-directors of the Glasgow Citizens' Theatre.

Eiddwen Harrhy leads the cast which also includes Robin Martin-Oliver in the title role, Vaughan Howells, Richard Morton, Brian Gordon and Nicholas Folwell. Anthony Hose conducts the orchestra of Welsh National Opera.

The production will open at Theatr Clywd, Mold on January 15. The following week "Tamburlaine" will launch the first spring season at the new Theatre Hafren, Newtown.

The opera will subsequently visit Theatr-y-Werin Aberystwyth, Theatr Ardudwy Harlech, Theatr Gwynedd Bangor and the Parc and Dare Hall Treorchy.

F.T. CROSSWORD PUZZLE No. 4,719



ACROSS

1 Author whose year has yet to come (6, 6)
10 Cricketers dismissed in the open (7)
11 Dog-end in dock (7)
12 Want, we hear, to work with dough (5)
13 Among the majority, in the very middle (8)
15 Change me one term, a means of recording on the Beaufort scale (10)
16 Stop a race (4)
18 Latvian letter written without a word of hesitation (4)
20 Where to get a thirst-quenching drink on the I.o.W. (10)
22 Type of screen part put back where an actor makes an exit (4-4)
24 A song suitable to be sung to a stringed instrument (5)
26 Using the telephone for a vocation (7)
27 One who wrangles and drives a hard bargain (7)
28 A first clue to ancient writing could be a favour around part of Birmingham (7, 5)

DOWN

2 A drastic end (7)
3 Gunners in a fall in part of storm (8)
4 Jug animal and roast initially (4)
5 Soldiers come to accept writers to make amends (10)
6 Having audio receivers—it could be corny (5)
7 Find vent to make known to the public (4, 3)
8 Bird follows insect that often pierces cherries (8, 5)
9 A continuously playing disc that's never been broken? (3-4, 6)
14 Highly esteemed leader of band should be expensive (4-6)
17 The pale dusk of the impending night (Longfellow) (8)
19 That which may precede or follow (7)
21 Turn oil into a vitamin (7)
23 Evaporates and dies about the end of September (5)
25 Two articles put in pot (4)

The solution to last Saturday's prize puzzle will be published with names of winners next Saturday.

Continued on Page 6

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Progress in Irish talks

THE AGREEMENT between the British and Irish Prime Ministers to establish an Anglo-Irish Intergovernmental Council has been received by some sections of the Irish Press and by Mr Charles Haughey, the Irish opposition leader, as inadequate, or at least as falling short of what Mr Haughey said might have been achieved.

It is striking that it has also been assailed by the Rev Ian Paisley, the leader of the Democratic Unionist Party in Ulster. In his customary forthright manner, Mr Paisley said at the weekend: "With firm confidence we will go forward, *regardless of the consequences*, to bring down this fresh attempt to hand us over to the enemy."

Threat

Some will take these signs of attack from both sides as evidence enough that the British and Irish Governments have got it about right. They will also query the wisdom of anyone who advocates an admittedly unspecified course of action, "regardless of the consequences." Yet there are other indications that the two Governments are proceeding along the right lines.

Mr Haughey should not forget, now that he is out of office, that it was he as Prime Minister who helped initiate the process of Anglo-Irish reconciliation at his summit meeting with Mrs Thatcher in Dublin last December. The reasoning then was as valid as it is now. The Provisional IRA is at least as much a threat to the Irish Republic as it is to Britain, and probably more so. The IRA can be dealt with only by cooperation between Dublin and London. This applies obviously to security matters and Mr Haughey as Prime Minister was very helpful on that score. But it also implies a joint search for a political solution to the problems of the north.

Concession

The agreement between Mrs Thatcher and Dr Garrett FitzGerald, the new Irish Prime Minister, in London last Friday is a good step in that direction. The establishment of the Intergovernmental Council alone should put Anglo-Irish relations on a more adult level than has been sometimes the case in the past. If the *Franco-German* friendship treaty is taken as a model—and there is some evidence that it has been studied by officials on both sides—it is plain that there could be a great deal of further progress.

Already there is talk of increased energy co-operation between the Republic and Ulster of a kind which could help undermine the economic nonsense of the border between north and south. There are also suggestions of an Anglo-Irish "Koenigswinter" on the lines of the annual Anglo-German forum which has done so much to improve relations between Britain and West Germany in the last 30 years or so. None *of that should be underestimated.*

Yet the joint communique goes further. Essentially, the Irish Government has now put in writing that it wants to secure the unity of Ireland "by agreement and in peace," but it has also added that "any change in the *constitutional* status of Northern Ireland would require the consent of a majority of the people of Northern Ireland." That is a concession by Dublin, and a necessary one if any joint progress is to be made.

Mrs Thatcher, in turn, has agreed on the need for "efforts to diminish the divisions between the two sections of the community in Northern Ireland and to reconcile the two major traditions that exist in the two parts of Ireland." In other words, she is now pledged—with Irish *help—to seek to overcome the religious divide* both between north and south and within Ulster.

History

The next move is up to Britain, and in particular to Mr James Prior, the new Secretary of State. It is to re-establish some sort of elective politics in Northern Ireland so that the people of Ulster can play their part in the new institutions that could be established across the Irish border and with the British mainland. It will mean *standing up to the threats (or* bluff?) of Mr Paisley and his followers. But the time is ripe and Mr Prior, if anyone, is the man to do it. Mrs Thatcher should remember that any British Government which, whatever its other shortcomings, plays a part in resolving the Irish question will have a favourable place in history. Ireland must now be a priority.

Freeing trade in textiles

EEC trade ministers will try tomorrow again to define their position for the renegotiation of the Multi Fibre Arrangement (MFA). *They will find* it just as hard to reach an agreement as they have in the past. Mr Peter Rees, the UK minister, will join France and Italy in seeking to ossify the the MFA into a near permanent system of strict controls on the textile and clothing imports of developing countries. West Germany, the Netherlands and Denmark will recall that the basic object of the MFA, settled in 1973 but amended in 1977, was to permit exports from developing countries to grow by 6 per cent annually.

Mr Rees, encouraged by the UK industry, will seek to have *the export growth of developing countries linked to rises in domestic consumption.* He will want freedom to hold down quotas on imports in the event of recession and a distinction made between the established exporters—Taiwan, South Korea, but with Hong Kong in a special category—and newer, poorer suppliers.

Markets

Doubtless this view will be modified in Brussels. But the only certainty about the final EEC position is that it will do little to open up the markets of the Ten to the products of low cost suppliers. It will hold fast to a system which allows bilateral agreements on levels of imports within the general framework of the MFA.

The EEC position will be directly at odds with the aim of the developing countries, pulled together at a series of meetings, culminating in discussions last week in New Delhi, to achieve more liberal access to the biggest textile-importing market in the world. How far the developing countries will push their aim is not clear. But the positions of each side are so at variance that there is the possibility that the MFA system will break down.

The whole concept of the MFA, setting the textiles industry apart from the normal disciplines embodied in the General Agreement on Tariffs and Trade (Gatt), is damaging to the liberal trading system. But this system, already strained by the threats of protectionism spreading over an increasing number of sectors, is not at present in a *position to withstand the* consequences which might emerge from a breakdown of the MFA. Without some controls on textiles trading, internationally agreed, it is quite possible there will be unilateral moves made against the imports of specific suppliers. That process, once unleashed, could lead to the seizing up of the whole liberal *trading system.*

It is probably too late for the EEC to swing back from an overtly protectionist approach to the MFA. But it ought to be possible for the EEC to adopt an approach leading gradually to the dismantling of the MFA and the reintegration of the textiles industry into the Gatt system.

This means, in the first instance, accepting a rigid time limit for a re-negotiated MFA —say five years at most, during which the range of products covered by it is progressively narrowed down. It would be fruitful in the first instance to separate clothing from textiles. The developed countries have a sustained surplus on textiles, but a rising deficit on clothing. This should be accompanied by a timetable switching the method of protection from quotas to more visible tariffs, enabling the consumer to see *more readily precisely* how much the system of protection is actually costing.

Disciplines

There is a movement in the EEC to differentiate between new suppliers in poorer countries and the established suppliers, giving the former a greater share of the available market. Clearly the EEC should seek to help the poorer suppliers, but equally it should not seek to penalise efficiency among established exporters. Thus, *to accommodate them* both, it is essential to widen the share of the markets open to imports. That is one reason why tariffs would be a less objectionable method of control than quotas. But there is another side to this. The EEC has a right to expect that countries like South Korea will open up their own markets. Disciplines of the market work both ways.

SATELLITE COMMUNICATIONS

The U.S. space invaders

By Ian Hargreaves in New York

TODAY, in a New York sale room of Sotheby Parke Bernet, normally reserved for the disposal of *objets d'art*, the hammer will fall upon a piece of the Space Age.

Up for sale are the leases on seven of the 24 transponders (or channels) which will be carried on board RCA Americom's Satcom 4 communication satellite, when it blasts off from Cape Canaveral in January, hopefully to a happier fate than its sister Satcom 3, which disappeared without trace following its launch two years ago.

The Sotheby's sale, however, is more than a curiosity. It is a neat illustration of the turning tide in the world of American satellite communications. All at once, the pioneers who have *spent 20 years digging foundations* for the global village find themselves in a hot sellers' market. The regulations which have bound them at the national and international level are bursting under the strain.

The spark for the satellite boom, oddly enough, was the disappearance of Satcom 3, which left dozens of customers without satellite channels. As the shortage grew worse, the rights to annual leases, which had changed hands for $1m four years ago, are going for up to $12m.

In a total domestic satellite network consisting of under 160 transponders, the loss of Satcom 3 was obviously a sizeable factor. But it was only a *factor. The deeper driving force* has been the dramatic increase in demand for satellite air-space from the nascent cable television industry, from long-distance telephone companies and, more recently, from companies interested in satellite distributed data communications.

Of the 10 domestic communications satellites now functioning in geosynchronous orbit over the U.S., about one-third of capacity is used for video distribution, with most of the remainder taken up by telephone and telex.

As demand soars, more satellites will leave the launch pad. By early 1985, the U.S. will have 26 satellites containing over 500 transponders. "We see no difficulty at all in filling up that capacity," says Mr Andrew Inglis, president of RCA Americom.

Who will be sending and *receiving the signals in this* communications explosion? "There will be an earth-receiving antenna on the top of every office building, every hotel and every hospital, and one in the parking lot of every factory," says a jubilant Mr Sidney Topol, chairman of Scientific Atlanta, which makes the dish-shaped receivers that "talk" to *the satellites.*

Among those with dishes already in use are the 4,000 U.S. cable systems, which now serve 23m American homes. Satellites are needed to beam this hail of programming—some cable groups offer up to 54 channels—around the country to urban receiving stations, where the signals are fed into homes either by coaxial cable or microwave broadcast. Conventional broadcasters are also making increasing use of satellite for *live long-distance broadcasting* and programme exchange.

Telephone traffic, the bread and butter of satellite links, is forecast to grow by 1.5 times by 1985 *as satellites improve their* economics relative to land-lines. Already Comsat is leasing more than 10,000 full-time voice circuits a year from its international counterpart, Intelsat. *That level of activity equals the* combined usage of Britain, Japan, West Germany and Canada, and will double within five years, says Comsat.

So far, 25 corporations have subscribed to Satellite Business Systems, which has launched two satellites and will send up a third on the space shuttle next year. Among them are General Motors, Boeing, General Electric and several banks and insurance companies. They want their office machines to be able to talk to each other via satellite. Gradually they will also establish their own self-contained telecommunications empires outside the existing Bell system.

In the home, banking by wire, shopping by wire and even voting by wire is starting to happen, all with the help of satellites and ground cable and microwave links. No one really knows how many homes have their own private dishes, which they can already use to try to pick up anything that is floating around. Dishes are available from mail order catalogues and, for a good quality installation, cost $10,000.

The big American churches, *which want to distribute their* message to the world electronically, are also hooking up. *The Wall Street Journal and the* New York Times are using satellites to beam pages to printing plants in cities far from New York, giving the U.S., for the first time, national daily newspaper service.

Up until today's Sotheby's auction the pricing regime has been like that of other U.S. utility industries. The satellite operators submit proposed tariffs to the Federal Communications Commission (FCC), which decides whether they are fair on the *basis of costs and reasonable* profit margins.

The result has been that as basic satellite costs have fallen —the cost of a full-time phone circuit from Intelsat has fallen from more than $60,000 a year in 1966 to $10,000—transponder lease tariffs have dropped in real terms.

The satellite companies argue that the profits thus generated have been inadequate to finance their needed research and capital spending, especially as the expansion is creating many technical problems, such as the need to harness higher frequencies. "Every company in the business has this problem," says Mr Inglis. "If we don't do the research, maybe the Japanese will."

Even more galling, though, have been the spectacular profits of the Cable TV companies, which have been the toast of Wall Street in the past *three years. And entrepreneurs* have been able to buy transponder leases—at the fixed tariffs and on the standard "first come, first served" basis —and then sell them at huge profits. "The carrier who has made the investment and taken the risks should enjoy the benefits," argues Mr Inglis. This is the situation RCA is trying to change with its auction, which could net it more than $100m according to others in the industry.

The FCC has yet to rule whether auctions of this kind are legal. One cable company has already filed suit to block the auction. The FCC's judgment will be an important straw in the wind for gauging the pace at which the Commission will allow the industry to slip into open-market pricing patterns.

If the FCC does not move, however, Congress may well do the job for it in the Communications Act now being forged on Capitol Hill. But the agency is bound to retain a role in deciding where the satellites go, given the growing congestion in the 70 degrees west to 140 degrees west arc over the Equator which is ideal for satellites to "look in" on the U.S.

This spectrum is already full for satellites in the workaday C-brand (4/6 Gigahertz) frequency, given the current mandatory spacing of 4 degrees between each satellite.

In order to squeeze in more satellites, some operators have moved to the higher frequency (12/14 GHz) Ku-band, which, *however, requires more* expensive ground stations and is vulnerable to interruption during heavy rainstorms. (Satellites in different frequences do not interfere with each other and therefore can be closely spaced.)

The FCC's answer has been to propose spacing at two-degree intervals, something which FCC staff say is technically "within reach." But the cable people are very worried about the plan, because they think two-degree spacing will make three-metre antennas, the norm for many operators, useless. There will be a fight to compromise at three degrees.

This congestion problem, however, begins to look even worse as new forms of service become possible. For instance, the FCC expects that, from *1985*, there will be direct broadcasting from satellites into the home via high-power satellites and 1-metre rooftop receivers. "It is certain that we will be constrained," says Mr Inglis, "within 20 years, maybe within 10."

For the more ardent s[...] lite proponents, all of t[...] problems can be brushed a[...] "Everyone says the spec[...] is a finite resource, but no[...] knows the limits. [...] history of communicatio[...] that the more you push[...] the more you find," say[...] Jonathan Miller, man[...] editor of Satellite Wee[...] Washington newsletter. [...] foresees 1,000-channel T[...] the end of the decade.

Such visions of the fu[...] however, do not alter the [...] that this is a capital-inte[...] and risky business. Apart [...] the obvious danger of se[...] off your $65m investment [...] never hearing from it a[...] there are more mundane [...] sures. Satellite Bus[...] Systems has seen its i[...] ment mushroom to $59m a[...] and last week the [...] arranged a $400m bank [...] Profits are out of the qu[...] before 1983 and many p[...] *do not expect to see prof*[...] then, given that the con[...] is not finding it easy to se[...] capacity in what, after a[...] a dramatically new ve[...] This, however, has not st[...] GTE contracting for [...] satellites to offer a si[...] service.

For the satellite builder[...] *problems are even* *familiar.* There are simpl[...] many of them bidding f[...] few contracts. "On the [...] round of satellites I don't [...] if anyone has made a p[...] says Mr Morris Holmes of [...] which mainly builds sat[...] for the Pentagon. Hughes [...] and Ford Aerospace ar[...] main satellite builders.

But these things reall[...] *underscore* the main m[...] beaming out from the Am[...] satellite scene today: tha[...] gress's determination so[...] to push space into the p[...] sector is working at the [...] time as the deregulation [...] communications and bro[...] ing is coming from the [...] direction.

For Europeans this [...] *important issues. Can you* have two kinds of [...] economies, one open, [...] increasingly closed, insi[...] global village? And i[...] information society is the [...] generator of future e[...] *ment, can you risk holdin*[...] growth because of cultur[...] conceptions?

Television is the [...] *example.* Cable entrepr[...] are popping up in Euro[...] in spite of the language b[...] picture piracy and illeg[...] motion of signals are g[...] problems for the broad[...] authorities.

But even if a soci[...] cultural decision is taken [...] the world of 54 or 100-c[...] TV from Europe, that [...] not stop the satellite rev[...] business will need ad[...] systems, and so will the [...] companies.

And there is not muc[...] left *for governments to* p[...] positions or for business [...] itself to compete wit[...] Yankee ingenuity and h[...] which is already stacking [...] the other side of the At[...]

WHO'S WHO AMONG SATELLITE CARRIERS

- American Satellite: a 50-50 venture of Fairchild Industries and Continental Telephone.
- Comsat: private company set up by act of Congress in 1962.
- RCA Americom: RAC subsidiary, RCA makes satellites and is first integrated manufacturer and carrier.
- Southern Pacific Communications: part of a group that includes a railway and other transport services.
- Western Union: telecommunications company.
- Satellite Business Systems (SBS): partnership of IBM, Comsat and Aetna Life.
- Hughes Aircraft: satellite builder planning to become a carrier and satellite operator.
- American Telephone and Telegraph: "Ma" Bell, biggest U.S. telephone company.
- General Telephone and Electronics (GTE):

HOW SATELLITES TOOK OFF

1957—The Soviet Union launches Sputnik 1, a "dumb" satellite.

1958—The U.S. Army-built Score satellite is launched (the world's first active communications satellite).

1962—Bell Laboratories' Telstar, a commercial active satellite, launched.

1962—Congress forms the Communications Satellite Corporation (Comsat), a private company to be the country's basic "common carrier" for satellite telecommunications and the U.S. link to Intelsat, formed two years later.

1963—Syncom II, the first satellite to be propelled far enough into space (36,000 kilometres) to achieve geosynchronous orbit with earth: that is, it *turns with the earth and* appears stationary.

1972—Canadian Telesat domestic telecommunications satellite network formed. FCC says U.S. industry should develop in "a free enterprise mode."

1974—RCA, Western Union *launch satellites.*

1975—Home Box Office, a cable TV programmer, distributes via RCA its first satellite delivered show; the Ali-Frazier "thriller in Manila."

1976—Marisat service started for shore-to-ship satellite communications.

1980—Satellite Business Systems launches the first satellite for business communications.

1981—Space shuttle Columbia maiden flight, creating possibility of *larger*, "communications platforms" in outer space.

1981—By now 10 U.S. commercial communications satellites in operation, 8 in the narrow range C-band, 2 in the broader Ku-band. More are authorised to take total to 26 by 1985. Canada has three, with two planned.

Men & Matters

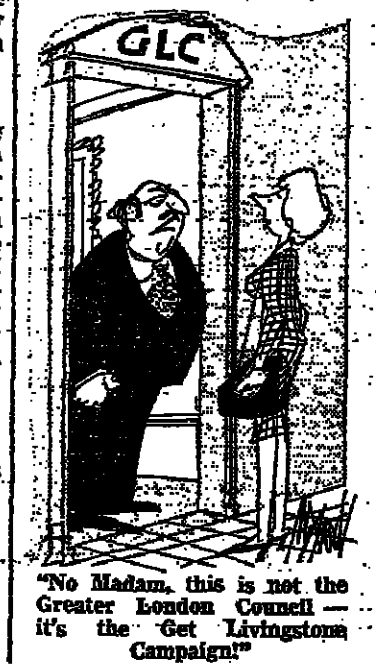
Ewe turn

An *animal* act has now, I gather, been booked to perform in the political circus which was once the Greater London Council. The Borough of Havering has rounded up a flock of sheep which will be brought by lorry to County Hall at lunch-time today as part of a protest against rate increases. The sheep "representing fleeced London ratepayers"—try to smile—will be met by old stager Sir Horace Cutler, opposition leader, and a letter of protest will be handed to newt-loving Labour GLC leader Ken Livingstone.

And have all the "usual channels" been exhausted, necessitating this absurdity quite clearly based on an idea by A. P. Herbert or Flann O'Brien? "We are doing this," says protest organiser Michael Brooke-Taylor, "because Mr Livingstone will not speak to me on the 'phone and he will not answer my letters to him."

How poignant! Perhaps Brooke-Taylor should try getting himself into the luncheon meeting later this month at which Livingstone will talk to the City branch of the British Institute of Management—though I should note that it was oversubscribed several weeks in advance. With tickets at £10.50 per head, and Livingstone *taking no fee, let it not be said* that the GLC leader is bad for business everywhere!

It is tempting to compare the encounter to Daniel in the lions' den—but it should be remembered that the biblical Daniel succeeded with a few well-chosen words in bringing the lions round to his way of thinking. I await with interest *the outcome of Livingstone* among the managers.



"No Madam, this is not the Greater London Council — it's the 'Get Livingstone Campaign!'"

Rite-minded

If you can imagine an IMF meeting, the Edinburgh Festival, the London Season, Remembrance Sunday and a general election all rolled into *one, you have some idea of the* importance of the "potlatch" ceremony to Indian life. It is where property and income is distributed between bands, titles are transferred, births and marriages are celebrated, the dead remembered, and religious and secular music and drama are performed.

It sounds a lengthy business —and does indeed take several days in its authentic form. But on the 16th of this month, some 200 Canadian Indians resplendent in masks and cloaks will be giving a taste of potlatch in Central Hall, Westminster, trimmed down to a modest three hours.

The venue might appear incongruous, but its proximity to Parliament is logical. For the ceremony climaxes an appeal to the British Government and Crown to safeguard Indian rights should "patriation" of the Canadian constitution be approved.

Working from a mansion flat off the Earls Court Road, the "Office of First Nations of Canada" is trying to persuade British MPs that the Crown has enduring obligations to the Indian nations dating back to the days of colonisation of Canada, and that these would be breached by a straightforward transfer of poyer to Canadian Federal or Provincial government.

The arguments are summarised in a memorandum to attorney-general Sir Michael Havers. Governmental pronouncements and case-law dating back to the eighteenth ceturry occupy 5 of the document's 26 pages. The last page is short and to the point. "Our words will come back to you," reads its solitary sentence, "like quiet echoes from the past."

Foreign bodies

The Mafia is in there. So are the Moonies, the Salvation Army, the League of Buddhist Esperantists and the Order of iDscalced* Brothers of the Blessed Virgin Mary of Mount Carmel. To say nothing of the Witches' International Craft Association Monthrs-In-Law Club International, the Association of Bald-Heads and the *International Giraffe Appreciation* Society.

"There" is the latest edition of the Yearbook of International Organisation, proof that brotherhood is booming in 14,784—I take the publisher's word for it —far-flung fraternities.

What sort of a world would it be, for instance, without the Foundation of Friends for the International Association of Woman and Home Page Journalists; or the Association for the Economic Development of Small Tropical Islands; or, indeed, the International Commission for the Protection of Plants against Microbes from Earth? Who would not, given the chance, sign up for membership of *Pickle-Packers International?* Or the Association for the Promotion of Humour in International Affairs—"a fiercely partisan organisation whose executive posts remain permanenty unfilled."

The ranks of international non-profit organisations have swelled to 4,602, two-thirds up on the last edition of the yearbook—which was two years ago. The Brussels-based Union of International Associations has also tracked down more than *7,000* "internationally-oriented national bodies" to add to the catalogue, which it publishes in collaboration with the International Chamber of Commerce.

Many of the organisations are down in the index as "unconfirmed." Others are defunct. Juvenile Entente, founded in 1913, has "no current activity reported," although the *International Brotherhood of Old* Bastards seems to be going strong.

The compilers have not taken a stand on anybody's politics, whether they be those of the Second-and-a-half International, or the Association for the World Government of the Age of Enlightenment. The European Committee for Homage to *Heroes (of, er, the SS)* is extinct, but if that leaves a gap in anybody's life, try the World Power Foundation, which campaigns for "slavery, human sacrifice, polygamy and polyandry . . . carnal religions and debt-free economics."

Tony Judge, the Australian responsible for putting all the names into a computer, admits *that he takes them at face value.*

He denies emphatically having invented Nestle J. Frobish of Vermont and his Worldwide Fairplay for Frogs Committee. "We avoid the problem of deciding whether he exists," says Judge, "by describing him as he describes himself."

*Discalced—with shoes taken off.

Speaking volumes

"Do you have anything on economis?" asked a colleague in his local bookshop. "Over there," replied the assistant, "beyond fiction."

Observer

كتاب الحرية

FINANCIAL TIMES SURVEY

Monday November 9 1981

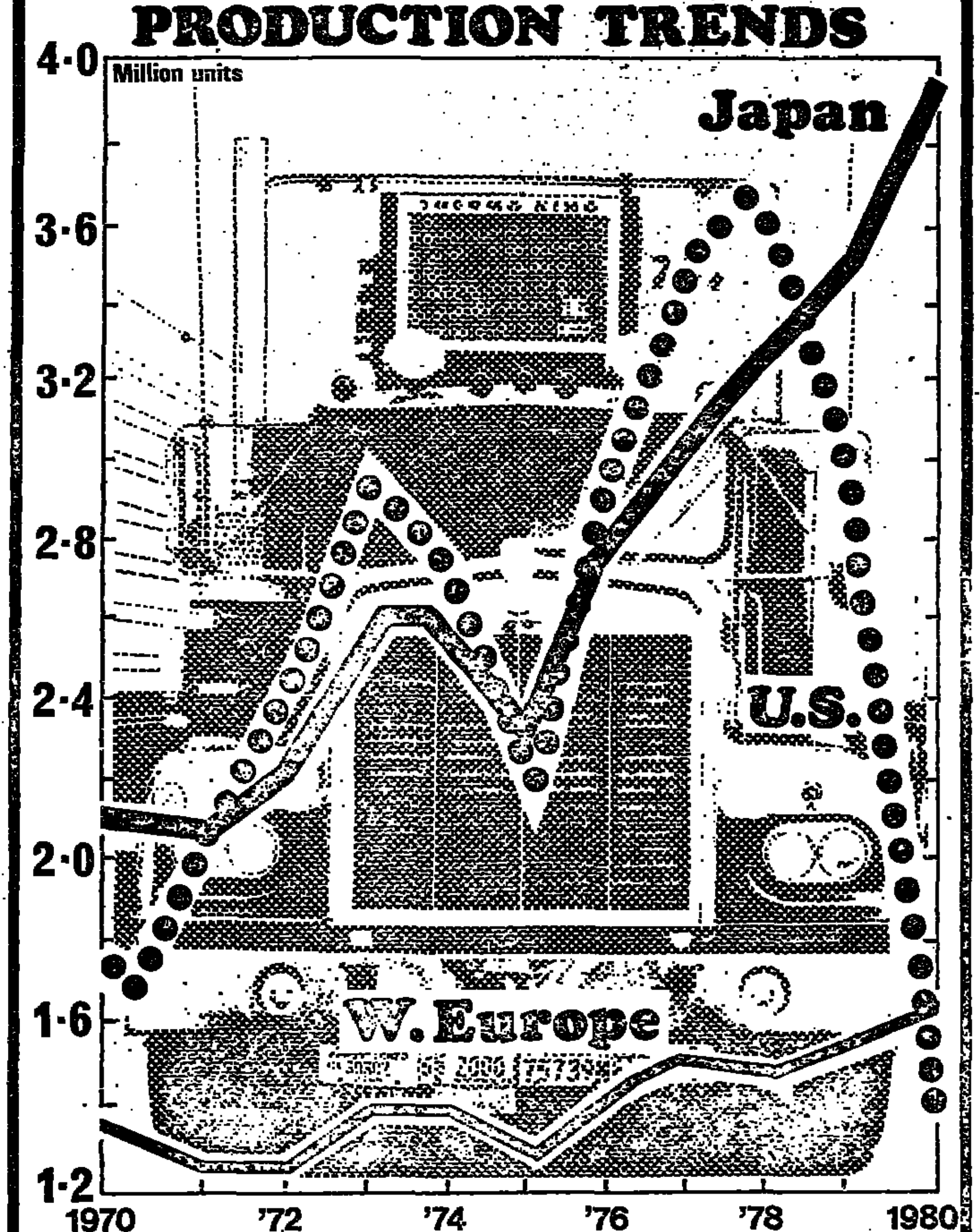
Daimler-Benz is the leading European producer of heavy commercial vehicles

Commercial Vehicles

The Ford Transit van — Europe's best-selling commercial vehicle

The major European truck producers have, in this recession, once again been able to offset the downturn in Western European markets through exports, in particular by selling more vehicles to the OPEC countries. Meanwhile, the battle between the U.S. and European manufacturers intensified this year when Daimler-Benz and Volvo acquired American assets.

COMMERCIAL VEHICLE PRODUCTION TRENDS



Source: DAIMLER-BENZ ANNUAL REPORT, 1980

Established traditions come under challenge

BY KENNETH GOODING
MOTOR INDUSTRY CORRESPONDENT

THIS WAS the year when the trans-Atlantic truck battle began in earnest. Daimler-Benz of West Germany and Volvo of Sweden moved more aggressively into the U.S. by acquiring the manufacturing assets of Freightliner and White Trucks respectively, thus establishing themselves on even-firmer ground in the enemy camp.

Lowest ebb

The assets were available and relatively cheap because the U.S. truck market has been at its lowest ebb for many years. White Truck had been operating under the protection of America's bankruptcy laws while Freightliner's parent group could see no sense in hanging on to a company which seemed set to make marginal profits for some time.

Both D-B and Volvo make their own key components rather than buying from outside suppliers. So one of the main attractions of the American deals is that the Europeans hope gradually to build up acceptability and demand for their own engines, gearboxes and axles in U.S.-style trucks.

This will not be an overnight job. American truck operators—even those with one truck—are used to specifying proprietary components around which the truck maker builds a vehicle: a Cummins engine driving Rockwell axles through an Eaton-Fuller gearbox, for example. But if the two European companies do succeed in breaking the established traditions in the States it will give them tremendous economies of scale for their key items.

The arrival of Daimler-Benz, the Mercedes group and Europe's major heavy truck maker, galvanised General Motors into action. It moved remarkably quickly, for a corporation of such size, to speed up its "world truck" programme.

In this project GM hopes to combine the manufacturing, research, engineering and distribution strengths of its own subsidiaries — GMC, Chevrolet, GM do Brazil and Bedford—and possibly its 34 per cent-owned associate in Japan, Isuzu.

Iveco, the Fiat subsidiary which is Europe's second-largest truck producer, also believes in the "world truck" concept. And, as its managing director Sig Giorgio Manina explains: "This is not one truck manufactured by one company to meet the demand of every market but a concept by which the final product, manufactured by a variety of companies in a variety of countries, will incorporate the best of worldwide truck technology."

This concept, where truck makers draw on components made by suppliers to the same specification which ever part of the world the plant they come from is located, is entirely compatible with the "vertical" approach of Volvo and D-B and Scania of Sweden. These companies have set up their component facilities in various parts of the world so as to get the best economies of scale.

Truck kits

For example, D-B has been supplying the U.S. market with trucks from Brazil and last year began assembling Brazilian truck kits at its plant in Hampton, Virginia. And Scania swops components between its facilities in Sweden, Brazil and Argentina in a complex process that manages to match the needs for economies of scale with the requirements in the Latin American countries that trucks sold there should have a high percentage of local components.

Across this side of the Atlantic, this past year or so marked the arrival, with rather more publicity than the company cares to attract, of Paccar. The reason for the publicity was that Paccar stepped in to buy the assets of Foden, one of the few remaining independent UK heavy truck makers, which had gone into the hands of the receiver. Just as in the States, there were cheap assets to be acquired because companies were suffering severely in the recession, so Foden folded because the British market for heavy trucks fell by half from the 1979 peak.

Paccar has not said much about its plans since it revived Foden under the name Sandbach Engineering but insiders reckon the American group plans only a modest 800 heavy trucks a year even in periods of peak demand.

This past year International Harvester also began to put its European act together in spite of the huge financial problems it currently faces—its losses in the past financial year reached a record $397.3m compared with a $370m profit the previous year.

Having acquired a 35 per cent shareholding—and the right to take control—of the Enasa group, makers of Pegaso trucks in Spain, IH hired Mr Carl Levy to head its European operations. He had been more than 20 years with Ford of Europe, latterly running Ford Espana.

Mr Levy said one of his first jobs would be to "establish a sound, competitive distribution network throughout Continental Europe and, although this network will initially sell and service Pegaso trucks, I see no reason why it cannot support and service products made by our subsidiary in the UK, Seddon-Atkinson."

Meanwhile, the next generation of IH trucks for Europe are being designed and developed at the company's Fort Wayne, Indiana, facilities. Mr Levy pointed out: "Input for design of the European truck is coming from a worldwide committee which guides and directs the engineers on all points of specification down to the finest detail."

IH's aim is to have by the mid-1980s a series of trucks that will compete "on price and quality with Volvo, Mercedes or Scania throughout Europe."

IH has already cleared the site near Madrid where it will build a huge engine plant, another part of its own "world truck" programme. The plant will produce 80,000 engines a year when fully on stream and many of them will find their way into IH's trucks in North America.

The U.S. group was able to buy into the Spanish truck business because the Spanish Government has been trying to get its automotive sector, which was highly protected for decades, into the kind of shape where it can compete effectively after Spain joins the EEC, possibly in 1984. Any company willing to help was welcomed, including the Japanese.

Nissan, the Datsun group, has acquired a 36 per cent shareholding in Motor Iberica and is to produce its Japanese-designed, four-wheel-drive Patrol and a light commercial, the Vanette, in Spain.

The Japanese have not yet entered either the trans-Atlantic or world battle at the heavy end with much success as yet but have been carving huge chunks out of light commercial vehicle markets in many countries.

The European attitude towards the Japanese heavy vehicle industry was summed up by Herr Wilfried Lochte, head of MAN'S commercial vehicle operations, when he observed recently that the technical standard of Japanese commercials did not approach that of European manufacturers. This applied particularly to engine development. "We must assume, however, that under the increasing need to export the Japanese will catch up with in the next few years. We expect Japanese competition in the heavy sector to become noticeably stronger."

The outstanding exception to the relative stability among the Common Market countries is the UK, where there are too many manufacturers, too much capacity and major traumas caused by a huge slump in demand.

Already the Japanese penetration of European light commercial vehicle markets is causing concern, in particular to Ford which, although it claims to be the leading commercial vehicle producer in Europe in unit terms (206,631 vehicles in 1980), maintains that position only because of its success with light vehicles.

Ford is not only having to cope with the Japanese offensive. Competition for its Transit van, the best-selling commercial in Europe, is now also coming from new European products. Renault has its Master-Traffic range and the joint Fiat-Peugeot vehicle, previously codenamed the C35, is just arriving on the market.

Pattern

European commercial vehicle markets overall are showing a remarkably similar pattern as they recover from the second oil supply difficulties of 1979 to the pattern experienced after the 1974-75 crisis.

In a paper on the six major European truck markets, to be published to clients tomorrow by DRI Europe, formerly known as Economic Models, the forecasters predict the total market will be down from just over 1m vehicles to around 915,000 this year. There could be a further slight fall of 2 per cent, to about 900,000 in 1982. But the following year demand is expected to pick up to 980,000 and remain at around the 1m-a-year level until 1985.

The major European producers in this recession have once again been able to offset the downturn in Western European demand by selling more vehicles to the OPEC countries, which are benefiting from the oil price increases.

As a result, commercial vehicle production in the five main EEC countries (France, West Germany, Italy, the UK and the Netherlands) is forecast by DRI to recover from a 13 per cent drop to 1.21m units this year to 1.27m in 1982 and climb to around 1.3m until 1986.

The outstanding except[...] the relative stability amo[...] Common Market countr[...] the UK, where there a[...] many manufacturers, too [...] capacity and major tr[...] caused by a huge slu[...] demand.

The high rate of UK inf[...] coupled with the high [...] of the pound compared wi[...] currencies of countries [...] competitors are based ha[...] eroded Britain's export [...] And, because such a hig[...] centage of vehicles is ex[...] from Britain, this has [...] dramatic impact on prod[...]

In 1969, for example, [...] produced 105,000 comm[...] over 10 tons gross weig[...] exported 50,500. That w[...] record year.

By 1979 the total, in [...] of peak demand in the U[...] output down to 69,200 of [...] 33,000 were exported. [...] the totals were 63,10[...] 32,900 respectively. Th[...] the industry expects pro[...] to be down to a level n[...] since the 1950s—38,0[...] which possibly 22,000 [...] exports.

The reaction of the UK [...] companies to all this ha[...] to cut back capacity. Th[...] still no signs of any will[...] to restructure through [...] or co-operation.

The difficulty is that m[...] the commercial vehicle [...] nesses based in Brita[...] owned by large Am[...] parents—Ford, General [...] (which owns Bedford), [...] national Harvester [...] Seddon Atkinson) and [...] (Foden). They are all [...] bling for a reasonable sh[...] the UK market but [...] strategic reasons for w[...] their subsidiaries to [...] independent.

The competition is lik[...] get more severe as a re[...] another round of restru[...] on the Continent: the a[...]tion of a 50 per cent st[...] Dodge Trucks by Re[...] commercial vehicle comp[...]

Three years ago Dodg[...] bought along with the [...] European assets of Chrys[...] the Peugeot group. P[...] attempted to gain econor[...] scale and share the inve[...] load via a co-operative v[...] with Daf Trucks of H[...] The talks broke down b[...] International Harvester, [...] owns 37.5 per cent o[...] wanted to join the par[...] was not willing to play [...] it had management contr[...]

Peugeot looked for [...] answers before settling [...] "French" solution an[...] effect, handing over the [...] agement of Dodge to R[...]

Dodge's major assets [...] Spain and Britain. Ren[...] considering how it [...] strengthen the Dodge ra[...] commercials built in th[...] while at the same time [...] be putting more and m[...] its own products throug[...] Dodge dealer network.

Local market

In Europe, there are s[...] truck makers with a [...] market of about 5[...] vehicles of 3 tons upward[...] when exports are inc[...] sharing an output of 8[...] trucks a year. Compared [...] this in the U.S. there are [...] makers with a local mar[...] 2m vehicles.

Those who use [...] statistics to prove f[...] restructuring in Europ[...] bound to come, however [...] to understand that there [...] "United States of Eu[...] Sweden, a major comm[...] vehicle manufacturing co[...] is not even part of the [...] And some countries still [...] sider commercial vehicle [...] facture a "strategic" ind[...] and want their own, s[...] national champion.

So, looking at the [...] markets, it seems that o[...] Spain and Britain is there [...] room for change. West [...] many has two busin[...] Daimler-Benz and [...] France (Renault) and [...] (Fiat-Iveco) one each [...] Sweden has Volvo and S[...]

Only in Holland does [...] the national champion, [...] that it could probably do [...] with another partner be[...] it has found it cannot [...] constructively with [...] national Harvester.

COMMERCIAL VEHICLE PRODUCTION

1980†

Company	Parent company's base country	Units '000	Company	Parent company's base country	Units '000
1 General Motors	U.S.	1,098	17 Chrysler	U.S.	185
2 Ford	U.S.	1,000	18 ZAZ Zaporojetz	USSR	155
3 Toyota	Japan	990	19 BL	UK	151
4 Ven	USSR	800	20 Honda	Japan	111
5 Nissan	Japan	752	21 American Motors	U.S.	91
6 Mitsubishi	Japan	445	22 Intnl. Harvester	U.S.	85
7 Toyo Kogyo	Japan	384	23 Hino	Japan	75
8 Suzuki	Japan	381	24 Skoda/Tatra	Czechoslovakia	52
9 Isuzu	Japan	365	25 Volvo	Sweden	36
10 Peugeot	France	295	26 Saab-Scania	Sweden	33
11 Daihatsu	Japan	277	27 Motor Iberica	Spain	27
12 Daimler-Benz	W. Germany	276	28 MAN	W. Germany	24
13 Renault	France	240	29 Trabant	E. Germany	20
14 Fuji	Japan	224	30 Wartburg	E. Germany	20
15 Fiat	Italy	223	31 DAF	Holland	16
16 Volkswagen	W. Germany	197	32 Zastava	Yugoslavia	16

† Comparability is limited because of strongly varying definitions from country to country for "commercial vehicles" and because of differing sales structures.
Source: Automotive Research and Management Consultants, London.

The major European markets are reviewed on this page and the following four pages

Narrow margins effect a radical and permanent change

HIS YEAR the shape of the K commercial vehicle indus- y changed radically. Capacity as been shut down, people ive left the industry for good, the change will be a per- anent one.

This has been a year when:

· Foden, one of the few re- aining British heavy vehicle roducers, suffered the final nancial collapse and went into ceivership. The assets were icked up by the American roup Paccar. Foden had the apacity to produce 10,000 eavy trucks a year on a double ift but was working at a 000-a-year rate. Paccar in- nds to build around 800 a ear even in boom times.

· Seddon Atkinson, another eavy truck maker and for the ast six years a subsidiary of iternational Harvester of the .S. cut its manufacturing apacity by about half and ade 44 per cent of its work- orce redundant. Seddon closed s assembly plant at Walton-le- ale near Preston. In all, 810 obs were lost compared with round 2,000 at Foden.

· ERF, like Foden based at andbach in Cheshire, has ade cut after cut in order to tay ahead of the very steep de- line in demand for heavy rucks in Britain by reducing verheads to match potential ncome. An expansion pro- ramme was cancelled. It vould have involved a new lant at Wrexham to be built vith the backing of EEC cash. ater came a 34 per cent reduc- ion in the workforce, which vent down by 450 to 940. And hen in August ERF said a fur- her 20 per cent reduction in he workforce was necessary nd some assets would be sold ff.

· Ownership of Dodge Trucks hanged again. Three years ago t was one of the assets acquired y the Peugeot group when it bought Chrysler's European perations. Peugeot looked in ain for a partner for Dodge. Talks with Daf Trucks of Holland went on for two years ut they came to nothing. Then French solution was found. enault's commercial vehicle usiness bought half of the odge company and now has irtual management control. ne of the most important decisions Renault must make is how Dodge will cope with the ending of Spacevan production. The 22-year-old vehicle is being phased out because it would be too costly to re-engineer it to meet new braking legislation due for introduction next year. At risk are 284 jobs at the Dodge plant in Dunstable. The company in any case cut 400 jobs last December leaving it with a workforce of 2,000.

There is more to come, and it will come very quickly. Leyland Vehicles is giving cause for concern.

In his half-year statement, Sir Michael Edwardes, chairman of BL, encapsulated neatly some of the pressures which have squeezed all the UK-based heavy truck producers, not just Leyland Vehicles.

"In the UK where margins were already narrow they have been even further reduced by the continued strength of the pound against all European currencies. This impacts on both export profitability and on the competitiveness Leyland faces from imports in the UK.

"Sales have suffered as a result. However, exchange rates disguise a fundamental problem—the cost base of our UK truck business is too high, and unit costs will need to be reduced significantly if we are to be competitive.

"Fixed expenses are too high and we are over-manned in relation to both the current and projected market size, both of which are at a lower level than anyone could have envisaged 12 months ago. Despite the good market response to new models, we will not achieve the level of profit required until we have reduced costs much further.

"We do not expect a significant upturn in demand in the foreseeable future." So the BL board has been considering just how costs can be reduced. It should not be long before we hear about more job losses and, possibly, further factory closures.

This is a major disappointment for Leyland which had achieved all the targets set for it—in terms of cash flow, modernisation projects and the introduction of new products.

Sir Michael's statement at the end of August was an admission that the main board had simply set the wrong targets.

While Sir Michael sent a shiver of apprehension through Leyland Vehicles, the same sensation was being experienced at Bedford.

General Motors, Bedford's parent company, has at least decided it simply must take its commercial vehicle operations worldwide by the scruff of the neck and shake them into more effective activity.

When the exercise is over—and GM is still working on the plans—Bedford will not be the same. However, Mr Ruben Jensen, the GM main Board director who now heads up the worldwide truck operations, said he hopes to use parts of Bedford in the new strategy, "but it must earn its keep."

GM might very well include its 34 per cent-owned Japanese associate, Isuzu, in its truck reorganisation plans and there could be real danger for some of Bedford's exports in such a move. GM has already replaced Bedford vehicles in South Africa with Isuzu models.

At the moment, however, GM continues to have an arm's length relationship with Isuzu and is only using its models to fill up market niches where manufacture of its products would not be worthwhile.

The prime example is that GM is importing to Britain built-up 1-ton pick-up trucks neatly labelled with Bedford badges and promoted without mention of the Japanese origins

The same appalling market conditions and export difficulties which dragged Leyland down have affected Bedford's performance adversely just at a moment when it needed to be able to convince GM in Detroit that support for the British commercial vehicle operations should be continued.

Sales of new commercial vehicles in Britain fell by 11.4 per cent in 1980, compared with 1979, to 266,219. This was to be expected because 1979 had been an unexpected boom year with a record 300,565 registrations. But the year saw a fall of 23 per cent in sales of trucks and articulated vehicles over 3.5 tons gross weight, a decline which grew faster as the year progressed. In December, for example, the 3.5-ton sector was 47 per cent down on the same month in 1979.

Further, this year other parts of the market have been going wrong as the recession deepened and economic activity in the UK slowed even more.

In the first nine months of 1981 total commercial vehicle sales fell another 23.1 per cent from the same period of 1980 to stand at 166,309. But within the overall decline, trucks and artics over 3.5 tons have again suffered more than other sectors. In the nine months registrations were down 33 per cent from the comparable period of 1980.

In effect, the heavy commercial vehicle makers have had to suffer a 50 per cent drop in demand in just one year. That is something almost impossible to cope with if you are in manufacturing industry.

The importers have not been slow to seize upon the UK industry's weakness and to reap the benefits of the high value of the pound. Last year the importers' share of the market rose from 23.2 to 24.4 per cent. In the first nine months of 1981 the importers' penetration shot ahead to 31.2 per cent.

The various uncertainties which surround the British companies obviously do not help morals. In September, imports reached a near-record 38.6 per cent market share.

The UK-based companies may be down but they are not necessarily out. All have introduced important new models—or model developments—this year.

Leyland Vehicles brought its new £31m assembly hall at Leyland, in Lancashire, on stream and the first four of the T45 truck families have been introduced this year.

First came the top-weight Roadtrain. This was followed by the medium-weight Cruiser for general haulage; the Constructor which is the replacement for Leyland's 24-ton, six-wheel Bison; and at the end of October the 16-tonner, the Freighter, was introduced.

Ford weighed in with its Cargo range of trucks this year, the fruit of a £125m investment, mainly at its plant at Langley, Berkshire. The range encompasses 27 models of six to 28.5 tons and replaces the 16-year-old D series vehicles.

Ford's spending on commercial vehicles in Europe is forecast to reach £1bn over the next five years and about four-fifths of it will be spent in the UK. However, to benefit from the expenditure, the commercial vehicle operations in Britain will be expected to change traditional manning and working methods which Ford hopes to introduce throughout its manufacturing operations in Britain.

The question being asked at Leyland, and within the industry as a whole, is: Where does the market go from here?

The consensus of opinion, as expressed by the Society of Motor Manufacturers and Traders' latest forecast, is that total commercial vehicle sales next year will rise slightly from around 215,000 in 1981 to about 225,000.

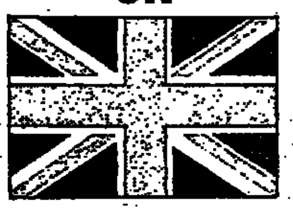
At the heavy end, registrations are forecast by the society to remain at around 45,000 in 1982—still near the lowest level since the early 1950s. The industry is almost unanimous in suggesting that heavy vehicle demand will never again climb back to the peak of nearly 80,000 trucks and artics over 3.5 tons registered in 1979.

The response of the UK-based manufacturers to this, as shown above, has been to cut back and retrench. There are no signs that they want to seek strength through co-peration or merger with each other although Leyland has been seeking Continental joint venture and licensing arrangements.

The apparent lack of interest among the UK-based companies in pooling their resources is not surprising in view of the fact that so many of them are foreign-owned. However, the current position does raise the spectre of the UK companies ultimately becoming assemblers of "world" components — like engines, transmissions and axles —into trucks designed by their parent companies in other parts of the world. While some of the components would be produced in Britain, the gradual removal of the industry's research and development base would be a blow from which it might never recover.

K. G.

UK



The UK's commercial vehicles industry will be on show at the Scottish Motor Exhibition, which is to be held at Kelvin Hall, Glasgow, from November 13 to 21.

The latest in Leyland's T45 "Trucks for Europe" range, the Freighter, will get its first public showing at the Scottish show this week. A 16-ton, general haulage vehicle, the Freighter replaces the Clydesdale and is basically the Clydesdale mechanicals refitted with the new C40 cab system used on the T45 models

COMMERCIAL VEHICLE INDUSTRY OF UK

(Units '000)	1971	1976	1977	1978	1979	1980†
Production	456	372	386	385	408	389
Imports	19	27	37	47	68	74
Exports	195	188	192	142	141	122
of which to Europe	54	84	92	75	75	65
New registrations	267	215	231	262	306	272
	Change compared to prior year (%)					
Production	− 0	− 2	+ 4	− 0	+ 6	− 5
Imports	+ 80	7	+ 35	+ 26	+ 45	+ 9
Exports	+ 13	+ 5	+ 2	− 26	− 1	− 14
of which to Europe	+ 3	41	+ 10	− 19	+ 1	− 14
New registrations	+ 1	− 5	+ 8	+ 14	+ 17	− 11

† Partly estimated.

Source: Daimler-Benz Annual Report 1980.

COMMERCIAL VEHICLE DEMAND IN SIX MAJOR EEC MARKETS
(Belgium, France, Italy, Netherlands, UK and West Germany)

G V W SECTOR	1979	1980	1981 (Forecast)	1982 (Forecast)	1983 (Forecast)	1984 (Forecast)	1985 (Forecast)	[illegible]
Vans up to 3.50 tonnes	775,923	780,556	720,760	694,488	734,785	776,910	751,895	712[illegible]
Percentage change	11	1	−9	−4	6	6	−2	
Light/Medium rigids 3.51-14.99 tonnes	143,323	131,653	110,557	113,115	133,746	148,115	140,409	137[illegible]
Percentage change	8	−9	−16	2	18	11	−5	
Heavy rigids above 15 tonnes	63,809	59,900	47,305	50,911	59,843	67,757	66,092	64[illegible]
Percentage change	11	−6	−21	8	18	13	−2	
Articulated trucks	49,353	43,155	35,918	41,205	49,622	52,536	31,493	50[illegible]
Percentage change	7	−13	−17	15	20	6	−2	
Total over 3.5 tonnes	256,485	234,708	193,780	205,231	243,211	268,407	257,994	282[illegible]
Percentage change	9	−8	−17	6	19	10	−4	
Total market	1,032,408	1,015,263	914,540	899,719	977,997	1,045,317	1,009,798	995[illegible]
Percentage change	10	−2	−10	−2	9	7	−3	

Source: DRI Europe Ltd.

DAF is concentrating its export efforts on three main regions — Europe, the Middle East and Africa. Currently 96 per cent of the export division's offtake is shipped to these areas. The truck seen above is working in Saudi Arabia

Changes in demand as sale continue to decline

THE STRONG position held by Dutch road hauliers in Europe means that the country's modest commercial vehicle market can act as a bell-wether for trends beyond its borders. The Netherlands is not a major vehicle producer but the three main companies which do have a Dutch presence—Daf, Ford and Scania—are all at crucial stages in their development.

Demand in the Netherlands for both light vans and heavy trucks has continued to decline this year while the Dutch-based companies' foreign sales have also come under pressure. Daf trucks, the only Dutch-owned company, foresees a considerable decline in total sales this year though it claims to be maintaining, or even increasing its share in most markets.

Sales of vans of up to 3.5 tonnes gross vehicle weight declined 9 per cent to 16,940 in the first six months. Whereas sales of European and American manufacturers were generally lower, Japanese companies achieved considerable increases from a very small base. Daihatsu, for example, raised sales from the figure of three in the first half of 1980 to 61 this year. Mitsubishi increased sales to 707 from 130. Japan accounted for 18 per cent of light van sales in 1980 against 8 per cent the year before.

Sales of heavy trucks, of more than 3.5 tonnes weight, fell even more sharply, declining 29 per cent to 6,452. Both Daf and Mercedes experienced a sales fall of 27 per cent—to 1,924 and 1,511 vehicles respectively — while Volvo sales fell 20 per cent to 778. The Japanese manufacturers are largely absent from this sector of the market though Mitsubishi increased sales from 57 vehicles to 74 while Toyota fell from 11 to only five.

The Netherlands' 8,400 road haulage companies, which account for about 35 per cent of the European community's road transport, are engaged in a tariff war, among themselves and with cut-price operators from Eastern Europe. The 1,675 hauliers operating on international routes carried 25m tonnes of freight last year, a rise of only 2 per cent on 1979. Growth rates have slowed markedly from the 1970s.

The international hauliers as a whole made a loss equal to 3.3 per cent of turnover last year, according to the national organisation of road hauliers (NOB), the largest of the four industry associations.

Among the problems faced by the industry are: growing competition from Eastern bloc hauliers intent only on earning hard currencies: the imperfect co-ordination of transport policies among the EEC countries; relatively high Dutch wage costs, and the firmness of the Guilder.

Despite pressure on hauliers to cut their tariffs below cost levels, as many as one in five has preferred to withdraw vehicles from operation. The result has been to depress demand for trucks still further.

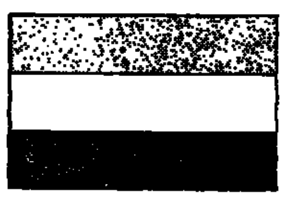
The valueof commercial vehicle imports into the Netherlands has traditionally been well in excess of exports, although the deficit was reduced last year. Dutch importers brought 40,900 vehicles (excluding buses and specialised vehicles, such as fire engines and dust carts) worth Fl 833m (332m) into the country.

Dutch manufacturers and assemblers exported 17,300 vehicles worth Fl 655m the dutch trade deficit in this sector was nearly halved last year to Fl 178m, from Fl 298m in 1979.

The imminent closure of Ford's Amsterdam assembly plant means the Netherlands is likely to increase the numbers of vans imported in the coming years. In the heavy truck sector, however, it may be moving towards a fairer balance between imports and exports because of the recent expansion of production levels at Daf trucks.

After importing between 2,100 and 3,100 more trucks than exported in the period 1977 to 1979, the import surplus was cut to only 350 last year, and in the first six months of 1981 exports exceeded imports by 1,015 vehicles. In the area of on-road tractor units, there has been a consistently large export surplus.

NETHERLANDS



Central Statistics Office figures record a decline in the late 1970s of the size of the Dutch commercial vehicle fleet. Of the 319,000 vehicles registered in 1975 only 308,000 were still on the books by 1978, the latest year for which figures are available. The number of vans fell by 12,000 to 197,000 while the truck fleet was 1,000 smaller at 91,000.

This, at first sight, disturbing development reflects in part a change in customer attitudes rather than a decline in overall demand. Many small businessmen switched from vans to passenger cars fitted out as light vans while others began using light trailers behind a passenger car. The decline in the number of trucks probably reflected the increase in tractor units with trailers (up 2,000 to 20,000), the Motor Industry Association said.

The backbone of the Dutch commercial vehicle industry is Daf trucks of Eindhoven. Daf is one branch of the former Van Doorne family company, the other half of which is Volvo Car. The Van Doorne family retains a 37.5 per cent stake, a holding which is matched by International Harvester of the U.S., while DSM, the state-owned chemicals and industrial holding company owns the remaining 25 per cent.

COMMERCIAL VEHICLE INDUSTRY OF NETHERLANDS

	1977	1978	1979	1980	(Jan-J[illegible] 19[illegible]
Production	13,644	11,121	15,048	15,878	5,2[illegible]
Assembly	4,628	10,603	16,703	15,292	5,8[illegible]
Imports	42,796	42,917	45,120	39,533	18,1[illegible]
Exports	12,519	15,683	23,087	23,627	9,3[illegible]

Source: Central Statistics Office

Daf achieved sales of Fl 1.5bn last year, selling 13,554 trucks of nine tonnes gross vehicle weight and upwards as well as aircraft and military vehicle components. It managed a small increase in net profit to Fl 24m in 1980, though its profits performance over the past decade has been patchy. This year it expects to break even.

The company increased its share of the declining West European market to 6.2 per cent last year, from 5.9 per cent.

From a small home base Daf has built up a powerful export organisation but it needs to expand to guarantee its long-term future. It is now in the middle of a five-year programme aimed at increasing its penetration of the European market outside the Benelux countries as well as developing markets in the Middle East and Asia.

Attempts to forge links with other vehicle makers have not been particularly successful. Earlier this year Daf and Dodge Europe ended discussions aimed at co-operation on the production side without reaching any agreement. A link with Dodge would not have produced benefits for Daf, the Dutch company said.

International Harvester's substantial stake in Daf's capital was built up in the hope of achieving far-reaching marketing and technical co-operation. Little has come of these plans, however, and relations between the two companies reached a low point last month when it unsuccessfully took Daf to court, charging that it was attempting to restrict the powers of shareholders. Daf fears IH will subordinate the Dutch company's interests to a wider European plan and now wants to remove the two IH representatives on its supervisory board.

Ford plans to shut down its Amsterdam assembly plant in the face of fierce opposition from the Dutch unions. The Amsterdam factory, which assembles Transit vans and the Transcontinental truck has run up losses of more than Fl 350m over the past 13 years.

Piet van Doorne, the chairman of Daf Truc[illegible]

Ford blames increa[illegible] Japanese competition for its [illegible] of markets both in the Ne[illegible] lands and abroad. It assem[illegible] only 10,500 vehicles in [illegible] 2,100 fewer than the year be[illegible] and its share of the D[illegible] market fell to 9.5 from 11 [illegible] cent. These small volumes [illegible] losses are inevitable.

The workforce occupied [illegible] factory briefly earlier this [illegible] in an effort to keep it [illegible] and the unions have since tr[illegible] unsuccessfully, to obtain a [illegible] of execution through the co[illegible] Ford Nederland has now sa[illegible] will shut down the plant [illegible] November 24, transferring [illegible] assembly to Belgium and [illegible] UK and truck assembly to [illegible] outside manufacturer.

The third major commer[illegible] vehicle maker in the Net[illegible] lands is the Swedish Sc[illegible] group. Scania Nederland [illegible] rently has capacity to assem[illegible] 6,600 trucks a year at its p[illegible] at Zwolle but rece[illegible] announced a Fl 45m investm[illegible] programme to increase capa[illegible] to 9,500 vehicles.

Scania views this expans[illegible] as essential so as not to [illegible] caught out when the ma[illegible] finally recovers. The Du[illegible] plant, Scania's only Europ[illegible] factory outside Sweden, [illegible] present supplies the Bene[illegible] countries, France, Germany [illegible] Italy, but it could serve ot[illegible] markets if demand picks u[illegible]

Ford's decision to pull ou[illegible] a considerable blow and [illegible] worsen the country's balance [illegible] trade in the vehicle sec[illegible] Both Scania and Daf are o[illegible] firmer footing, though Daf n[illegible] ultimately be forced to c[illegible] pensate for its limited size [illegible] some form of link with anot[illegible] manufacturer.

Charles Batchel[illegible]

Heavy investment in the future

SWEDEN'S two manufacturers of heavy vehicles, Saab-Scania and Volvo, have felt the impact of the recession on the world truck market this year. Their truck production will be lower, their profit margins have been reduced and they will not reach the high earnings level achieved in 1980.

Nevertheless, they exhibit in both word and deed a remarkable confidence in the future. Both claim to have increased their market shares for heavy truckse on the declining West European market this year and both are continuing to invest strongly in expanding capacity.

The most spectacular investment has been Volvo's $70m purchase of White Motor Corporation's truck manufacturing and distribution assets in the U.S. This coincides with Volvo's merger with the Beijerinvest group, a move which should add to the financial muscle of Volvo's car and truck operations.

The Swedish manufacturers concentrate on the heavy end of the truck market. Saab-Scania exclusively produces vehicles in the over 16-ton category while three-quarters of Volvo's output falls within that class.

Together they account for between 10 and 11 per cent of world output of heavy trucks but even more significantly they are responsible for some 30 per cent of world exports of this class of vehicle. Well over 80 per cent of their truck production is marketed outside Sweden.

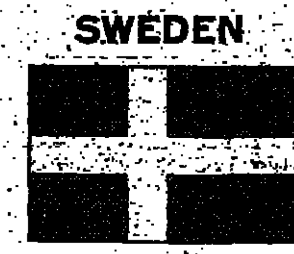
Last year, their combined truck sales totalled SKr 12.16bn (£1.20n, $2.2bn). They also sold buses to a value of SKr 1.4bn (£140m), giving total truck and bus sales of SKr 13.56bn (£1.35bn), or some 8.5 per cent more than in 1979.

Saab-Scania and Volvo produced over 55,000 trucks together last year and sold just over 50,000 with Volvo in particular experiencing a rise in stocks of finished vehicles towards the end of the year. Volvo built 30,200 trucks during the year.

The two companies delivered more than 6,500 buses to customers during 1980, 3,870 of them supplied by Volvo. These were record figures for both.

The decline in the truck market which set in last year, however, has resulted in production cutbacks this year. Saab-Scania ran into home hitches in

SWEDEN



the production of its new models in the first half and had had to reduce both output and deliveries. The sluggish demand will prevent it from making up the difference during the last part of the year.

Volvo's current estimate is that it will build about 3,000 trucks less this year but it hopes to deliver 1,500 more than in 1980 by running down the stocks it built up during the latter half of that year.

An unusual circumstance has been the fall in demand on the South American market which has coincided this year with the decline in Western Europe. Normally the Swedes reckon that the South American market will help to offset a downward trend in Europe.

Saab-Scania has had to lay off 300 of its 3,000 workforce in Brazil, where production is likely to decline by about 15 per cent from the 3,800 vehicles made there last year.

Volvo started assembling trucks and buses at a new, partially owned factory in Curitiba, Brazil, during the latter part of 1980 and celebrated the rolling out of its first 1,000 trucks and 1,00 buses this year.

Output is rising slowly, however, and Volvo currently does not expect to produce more than 2,200 vehicles in Brazil next year, of which some 300 will be buses. Volvo also has an assembly plantin Peru which will turn out more than 1,000 vehicles this year.

In Western Europe, which is still far and away their largest market, both Swedish manufacturers say they have increased market shares despite a fall of up to a quarter in the demand for heavy trucks. Saab-Scania claims a first-half advance from 9.7 to 10.3 per cent, while Volvo puts its first-half share of the market for trucks above 16 tons at 14.5 per cent, against 13.5 per cent in the first six months of 1980.

Assuming that Saab-Scania, for instance, maintains its increased share through the year and translating the percentage into the reduced total deliveries, it appears likely that the company will sell between 2,500 and 3,000 fewer heavy trucks in Western Europe this year.

Volvo trucks reported an increase in sales of 7 per cent during the first half while Saab-Scania showed a 4 per cent rise in turnover for the Scania truck, bus and engine products in its eight-month report. Both said that lower deliveries to Western Europe had been compensated to a great extent by higher sales in other markets.

Both comanies are cautious about forecasting market developments but agree in anticipating some kind of recovery in the second half of 1982. Saab-Scania is rather

COMMERCIAL VEHICLE INDUSTRY OF SWEDEN

(Units '000)	1971	1976	1977	1978	1979	1980†
Production	30	51	52	51	58	63
Imports	11	20	21	18	23	25
Exports	23	42	41	42	51	53
of which to Europe	18	24	27	28	32	33
New registrations	17	19	20	17	17	20
	Change compared to prior year (%)					
Production	− 5	+ 0	+ 2	− 0	+ 14	+ 8
Imports	+ 6	+ 24	+ 2	− 15	+ 29	+ 11
Exports	+ 1	+ 6	− 4	+ 4	+ 22	+ 3
of which to Europe	+ 3	+ 8	+ 14	+ 3	+ 14	+ 3
New registrations	− 12	+ 14	+ 4	− 15	+ 1	+ 17

† Partly estimated.

Source: Daimler-Benz Annual Report 1980

more optimistic about the effect on sales of the 10 per cent devaluation of the krona in September.

The devaluation has roughly restored the decline in the competitive position of the Swedish truck manufacturers against the West Germans caused by the appreciation of the krona against the Deutsch Mark in the previous 15 months.

The interim reports from both companies indicated that their earnings on trucks and buses will be lower in 1981 but it will not be a bad year,s says Mr Sten Langenius, managing director of Volvo Trucks. Both companies continue to invest in expansion.

Saab-Scania spent Kr 500m (£50m) on buildings and machinery last year and expects to maintain that level this year after investing a total of SKr 2.2bn (£220m) at current prices during the 1970s.

In Sweden, it has built a completely new cab factory, set up a new gearbox facility at its Sodertalje headquarters and a new bus chassis assembly plant at Katrinefors. Capacity is being increased at two other domestic production centres and at the steel pressing plant.

In the Netherlands the capacity of the assembly plant at Zwolle is being raised to 9,500 vehicles a year. New import facilities have been inaugurated in the UK and Denmark and those in France have been enlarged.

Volvo has been investing in buildings and machinery at an annual rate of between SKr 600m and SKr 700m (£60m-£70m) both last year and this. An entirely new plant with an annual capacity of 6,000 trucks will be completed in Gothenburg by the end of the year.

Spending on product development, which used to be around SKr 300m (£30m) a year, is now running at an annual rate of about SKr 500m (£50m), according to Mr Langenius. These figures leave out the investment in White Motor, for the assets of which Volvo paid $70m (£39m). It expects to invest almost as much again over the next two years, depending on the volume growth it can achieve.

The Swedish company purchased White Motor quickly after Daimler Benz bought Freightliner, which had been selling Volvo's medium trucks on the American market. The acquisition is regarded by Mr Langenius as "our best insurance for the future."

White Motor delivered 7,250 vehicles last year, taking about 7 per cent of the U.S. market. Volvo itself has sold about 1,500 trucks up to now this year in the U.S. and expects to reach between 1,800 and 2,000 over the whole year. It plans to start producing its own trucks in the U.S. next year.

By buying White Motor's assets and setting up an entirely new company (Volvo White Truck Corporation), Volvo has been able to reduce staff, introduce a more effective organisation, raise productivity, and establish a much lower break-even point. It is now looking for a bigger share of the U.S. market.

Its strategy, according to Mr Langenius, will be to stick to White's product range, which fits American customer specifications. Initially Volvo will not put its own components into White Trucks, nor will it aim at introducing the philosophy of building its own drivelines, which has so far distinguished it—and Saab-Scania—from U.S. truck manufacturers.

Will Dullforce

Volvo spent $70m to acquire assets of White Motor in the U.S. this year and will invest about the same sum to get manufacturing of both White and Volvo trucks under way in the States during the next two years. Sten Langenius, managing director of Volvo Truck, is seen here in front of representative vehicles from both the Swedish and American companies

New deals for survival

THE STAGNATION of the French economy, forecast to grow at only 0.5 per cent this year, is reflected in the commercial vehicle industry. Sales of heavy trucks have dropped and while the small van market has improved, the sector for trucks of more than five tonnes is still well below peak levels. A boom of the type which ran for 10 years before the first oil crisis is beginning to look increasingly unlikely.

Against this background the French industry has taken another step to rationalise its activities in Europe. Within France itself, the merger of Saviem and Berliet to form Renault Vehicles Industriele (RVI) under the banner of the Renault group in the mid-1970s, brought the main part of French-based manufacturing into one organisation.

The more recent deal between Renault and Peugeot, the second of the big French vehicle groups, has in effect given Renault control of the former Chrysler commercial vehicle plants in the UK and Spain.

One of the reasons for the agreement was Peugeot's financial problems. Faced with reorganisation in its car divisions, it was not in a position to invest sufficiently in the commercial vehicle industry. It therefore sought a partner which had the ability to assume the financial burden as well as the manpower, design and marketing resources to take on the reorganisation.

For RVI, the deal remains a gamble because of the evident weakness of the former Chrysler-Dodge companies compared to the big European companies such as Mercedes or Scania.

But against this is the opportunity to develop its European marketing network, one of the weakest parts of the company, in the UK and Spain.

Over the longer term, RVI is aiming to achieve production and overhead economies within the enlarged group. But this will be a relatively slow process as the two companies see how their separate ranges can be fitted together.

For the time being, they are trying to use the strengths of the different production lines to fill out gaps in their own ranges. For example, RVI has opened a number of its French dealerships to Dodge to sell specific products such as heavy lite vehicles. At the same time, the RVI importer in Holland is also taking Dodge and similar use of the RVI network is expected to follow in non-European markets.

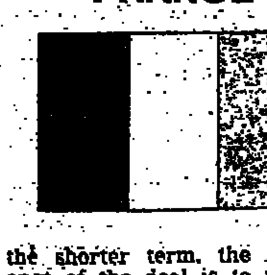
If the link with Dodge proves a success, RVI should be able to develop a pan-European base in the same way that Fiat has built up its Iveco group. For the French nationalised company, heavily dependent on its home market, this is an essential part of the strategy designed to turn it into one of the few big European groups, on which the industry is expected to be based at the end of this decade. The other parts of the strategy are to build up sales in the U.S. and in the developing world.

In both areas, RVI has moved steadily ahead over the past year. Sales in the U.S., where it has linked with the Mack group, are expected to reach [illegible]000 units this year against [illegible]000 in 198[illegible]. In other export markets they have risen by just under 20 per cent to about 7,000 units at the end of September.

The Mack agreement gives Renault 10 per cent of the U.S. group with convertible loans worth another 10 per cent of the equity, and the ight for further acquisitions if the Signal group, which owns Mack, decides to sell.

RVI has already indicated that, over the longer term, it would be interested in further investments in Mack. But in

FRANCE



the shorter term, the importance of the deal is to provide work to the plants in F ance, which are operating at well below capacity, rather than in profitability.

Indeed, the margins on the RVI vehicles have been trimmed to such an extent to break into the U.S. that it is doubtful whether the company is making profits on the deal at present, despite the benefit this year of sales in a strong dollar.

Exports to the developing world have risen particularly sharply in the oil producing countries and North Africa, France's traditional sphere of influence.

Even with these buoyant export sales, RVI is being forced to introduce lay-offs du ing the rest of this year to accommodate the slump in the European market, where sales are 33 per cent down at 4,000 units, and in France.

Although the company's domestic market share has risen this year, going up from 43 per cent to 45 per cent, sales in the over five tonne range fell to the end of August from 13,100 to 12,400 units.

UNIC, the only other significant commercial vehicle manufacturer in France, has hit similar problems, although its market share has recently stabilised at about 15 per cent. The company has been going through a difficult time over the past three years, during reorganisation within Iveco, its parent group.

The result has left UNIC with one truck manufacturing plant making Iveco's medium-range vehivle of 10-16 tonnes. These are exported throughout the Iveco network, while both lighter and heavier products are imported from the group's Italian plants, and off-road vehicles from Magirus in West Germany. The French factories turn out a number of component's for the group, including all the group's engines in the 200-300 hp range.

For the past three years, the costs of reorganisation have pushed UNIC into losses, rising to FFr 134m (about £13m) last year on a turnover of FFr 3.8bn. But the group believes that it should be able to get back to break-even by the end of next year with more cuts in overheads and a slightly improved market.

One of the big questions for UNIC and RVI is whether the market next year will climb out of the depression of the past three years.

Figures for the first eight months of the year show an overall drop in registrations of 9.3 per cent for vehicles of more than 5 tonnes, down from 32,900 a year ago to 29,800. Output fell even more sharply from 38,900 to 34,000.

Special measures were introduced recently by the Government to give subsidised loans to hauliers acquiring new lorries and the industry is hoping that the slump can be contained during the rest of the year. Latest forecasts indicate that sales will remain at about 10 per cent less for the year as a whole than in 1980. But a big question mark remains over 1982, when the Socialist government is aiming to generate about 3 per cent growth in the economy.

Even if this rate of expansion is achieved, the industry is not convinced that it will be a great help to sales because of the way in which measures to stimulate growth take time to work through to the haulage sector.

On the other hand, there are hopes of a limited increase in demand for replacements next year on the normal 4-5 year cycle. If this occurs, the industry can look forward to sales of around 40,000 heavy units compared with the 42,800 achieved in 1976 and the 41,100 in 1977.

Terry Dodsworth

COMMERCIAL VEHICLE INDUSTRY OF FRANCE

(Units '000)	1971	1976	1977	1978	1979	1980†
Production	281	423	415	397	393	440
Imports	37	92	99	87	108	117
Exports	110	144	148	153	162	178
of which to Europe	63	69	71	80	87	88
New registrations	227	293	298	300	315	323
	Change compared to prior year (%)					
Production	+ 9	+ 34	− 2	− 5	− 1	+ 12
Imports	+ 30	+129	+ 7	− 11	− 24	+ 8
Exports	+ 13	+ 5	+ 3	+ 3	+ 6	+ 10
of which to Europe	+ 22	+ 32	+ 3	+ 13	+ 9	+ 2
New registrations	+ 9	+ 42	+ 2	+ 0	+ 5	+ 2

† Partly estimated.

Source: Daimler-Benz Annual Report 1980.

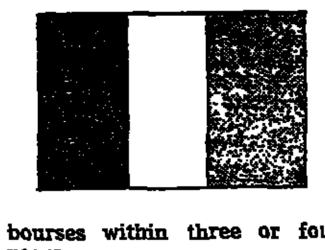
Iveco regaining its health

HAS IVECO finally come of age? Since its creation in 1975, from the merger of the heavy vehicle interests of Fiat and its subsidiary Lancia, Germany's Kloeckner - Humboldt - Deutz (KHD), and France's Unic, the group with headquarters in Amsterdam has had a bumpy ride.

One of Europe's best examples of a genuine multinational has been plagued by problems over market, management and the integration that is inevitably difficult when three different nationalities are concerned.

But finally things seem to be coming right. Under its managing director for the past 16 months, Sig Giorgio Manina, the company has returned to profitability. The improvement in its operating performance has opened the gates for a host of changes and initiatives which it is hoped will culminate in Iveco's market quotation on several leading European bourses within three or four years.

ITALY



From its inception more than six years ago, Iveco has been the second largest lorry and truck manufacturer in Europe, immediately behind Daimler Benz of West Germany. It was in many respects the expression of the philosophy of the Agnelli family, which controls Fiat, that only by pooling its resources could Europe's fragmented truck industry compete against the Americans and the Japanese.

Iveco grew steadily and by 1980 was selling 109,622 units, with total sales of almost L4,100bn ($3.47bn). The group employed more than 54,000 people and its total investments last year totalled L133bn ($113m). But although Fiat's own heavy vehicle offshoot made profits of L14.5bn, Iveco as a whole lost money, largely because of the problems of Unic and above all Magirus, the German truckmaker which was part of KHD's contribution to the original marriage.

This year the difficulties seem on the way to being solved. The important West European market has contracted severely—sales in West Germany, Italy and France were down in the first six months by 20.7 and 12 per cent respectively—but this disappointing trend has been more than made up for by a boom in deliveries to the Third World and other non-European markets. A leap of 58 per cent in first half sales to over 21,000 units has meant that Iveco's total sales have climbed in the first half to 60,405 units, a rise of 2 per cent on the comparable period of 1980.

There are two main reasons for the changed patterns: the recession which still grips Western Europe, and the major competitive edge given to Iveco companies in extra-European markets by the steep increase in the value of the dollar since January.

With the turnaround Magirus' diffculties have been largely solved and the improvement in the West German offshoot was one of the reasons why Sig Manina was able to say at September's Frankfurt Motor Show that the group made a profit between January and June, and expects to remain in the black at the end of this year.

Consolidated sales are expected to grow still further as a result of the acquisition of three other companies from within the Fiat group: Sofim, the Foggia-based diesel engine plant in which France's Renault formerly held a 20 per cent interest, as well as Carelli Elevatori, a forklift truck manufacturer, and another diesel engine concern, Aifo. These rationalisations are being accompanied by significant changes on other fronts.

On the production side Iveco has signed a $150m joint venture with Rockwell of the U.S. to set up a new company, Rockwell Cvc Amevi Spa, based at Iveco's existing plant at Cameri, near Novara, to produce axles.

Equally important developments are taking place in the capital structure of Iveco itself. Its parent international holding, Fiat, has already pledged to provide a further injection of funds during 1981, during which Iveco will return completely into the ownership of the Turin group.

At the beginning Iveco was jointly owned by Fiat and KHD on an 80/20 basis. But towards the end of the decade the German partner became increasingly impatient to sell out, and invoked a clause obliging Fiat to buy back its minority shareholding. Fiat demurred and arbitration under Swiss auspices took place as the Italian parent cast around unsuccessfully for a new minority partner.

This summer a new way out of the awkward dilemma may have been found. One of Fiat's financial subsidiaries secured a $250m seven-year borrowing, with participant banks having the right to convert their paper into shares of Iveco itself. Should the facility be fully taken up, some 20 per cent of Iveco's equity (currently Fl 1,000m) might be involved. This is roughly the portion of the truck manufacturer's capital under dispute.

The convertability facility has been geared to attract the Arab banks which have provided 50 per cent of the financing. The Opec countries have been among the best of Iveco's markets this year.

Iveco's return to financi health could not have come a more important moment f Fiat itself, which remai saddled with problems in its ca and above all its steel side. part it is due to the accum lated efforts of the past, and part to the determination of S Manina himself, who typifies t new breed of London-style ma ager at Fiat now the Agne family has withdrawn from da to-day management to conce trate on the financial and st tegic aspects of the group.

Compared to Iveco, the seco Italian manufacturer A Romeo, with its 2,000 units p duced in 1980, concentrated the lighter end of the range, of little significance. There of course, speculation why t two do not join forces.

On the face of it there wo appear in the longer term to a reasonably promising outlo for the lorry sector in It With only 24 heavy vehicles 1,000 population, Italy has o half the "consumption" France, the most saturated Eu pean market with 47 per 1, people. But that is to rec without the familiar problem a governmental level in Ital the lack of an adequate tr port policy, and the inability convert the economy's st tural defects such as high lab costs and inflation.

Rupert Cornw

COMMERCIAL VEHICLE INDUSTRY OF ITALY

(Units '000)	1971	1976	1977	1978	1979	1980†
Production	116	119	144	148	151	167
Imports	15	55	59	58	63	[illegible]
Exports	40	49	70	75	78	80
of which to Europe	28	34	50	60	68	64
New registrations	79	95	112	93	113	122
	Change compared to prior year (%)					
Production	− 14	+ 3	+ 21	+ 3	+ 2	+ 10
Imports	+ 18	+ 71	+ 7	− 2	+ 9	+ 10
Exports	+ 4	− 1	+ 43	+ 7	+ 5	+ [illegible]
of which to Europe	− 5	+ 50	+ 46	+ 20	+ 14	− [illegible]
New registrations	− 7	+ 30	+ 18	− 17	+ 21	+ [illegible]

† Partly estimated.

Source: Daimler-Benz Annual Report 1980.

Defensive search for partners

AFTER FOUR years of domestic recession demand in Spain's commercial vehicles industry has fallen to the same levels as 10 years ago. Despite a growing need for renewal of the commercial vehicle parc, now among the oldest in Europe, customers are frightened away by the high cost of credit and the continued gloomy prospects within the Spanish economy.

Meanwhile, the manufacturers have not been able to offset this slump in domestic demand by switching to exports. This is partly because the industry, especially medium and heavy vehicles, has traditionally been oriented towards the domestic market and partly because recession has also hit those markets where exports have been channelled. As a result the industry is operating substantially under capacity and in some instances on a four-day week.

As the accompanying table shows, all types of commercial vehicles have been affected by the slump in demand. The falls in production, domestic sales and exports, although referring to the first seven months of the year, can be considered to be representative for 1981 as a whole. This means that production of vans will be down by about 14 per cent, of light industrial vehicles (3.5 tons to 9 tons) by 25 per cent and heavy vehicles by 3 per cent.

The fall in sales will be substantially bigger than these percentages. The only producer to register gains has been Daimler-Benz, but this is in a sense atypical since it reflects the change in status of Daimler-Benz in Spain.

In May, Daimler raised its stake in the light van producer, Mevosa, to 53 per cent, and effectively took over control of the company so as to make it an integral part of the Daimler-Benz group. This, in turn, enabled it to distribute a wider range of the latter's vehicles, in addition to those already assembled in Spain under the aegis of Mevosa.

Daimler is pledged to invest some Pta 5bn into the company over the next five years, improving its distribution and creating the infrastructure for full integration into the German group.

Discussions between the state holding company, INI, and Daimler had been going on for almost 18 months before the deal was announced. INI, which previously had 45 per cent of the equity (and now has 39 per cent), sought to assure the company's future against Spanish entry into the EEC and a liberalisation of the Spanish market.

The same argument applied to the fate of the medium and heavy vehicle producer, Enasa, also controlled by INI. However, it proved a far more complex operation to find a prospective partner for Enasa.

INI considered several options. One of these was to merge with the privately owned Motor Iberica and form a joint venture with Nissan. This, however, failed as Motor Iberica wanted to have active control, which was unacceptable to INI, and INI had some doubts about Nissan's heavy vehicle technology.

The chance of this deal was finally scotched when in January 1980 Motor Iberica announced its own partnership with Nissan. Massey Fergusson, which previously held 36 per cent of Motor Iberica's equity, agreed to sell out to Nissan in a $40m deal, so leading to the first Japanese presence in the Spanish automotive industry.

Enasa quickly turned to International Harvester and, after

SPAIN

much courting and a good deal of uncertainty, an agreement was reached in September 1980. The agreement was a complex trade-off between IH's own international strategy and INI's desire to secure a future for a financially troubled company with as many as 3,000 of its 11,500 labour force considered unnecessary.

INI, which owned 91 per cent of Enasa, agreed to buy out the remaining shareholders, mainly banks. Then INI sold 35 per cent of nominal equity to IH. In turn IH agreed to contribute its share of a planned Pta 25bn modernisation plan. INI, for its part, agreed to cover Enasa's losses for three years running from September 1980—which now looks like being around Pta 30bn. During this period IH has the option to acquire a majority of Enasa shares.

A second part to the agreement envisaged the formation of a new company controlled 65:35 between IH and INI to produce engines. The engine plant, geared primarily for export and producing about 80,000 a year series 400 engines, was IH's principal interest in Spain since it faced a worldwide shortage of capacity in the mid-1980s. The engine plant investment was due to cost Pta 14bn.

Since the signature of the agreement IH's financial fortunes have changed for the worse and its deal with Enasa has come in for some sharp questioning. However, Enasa executives appointed by IH insist that the company is committed to Spain and this commitment has not changed.

Evidence of this commitment can be found in the hiring of Mr Carl Levy to be chief executive at Enasa—Mr Levy was responsible for setting up the $600m Ford venture at Almusafes in 1975. Mr Levy has now assembled a new team at Enasa, including some 20 Americans and this team has been operating since the summer.

IH's troubles have affected investment to the extent that all the original plans are being thoroughly reassessed to see if costs can be cut. Mr Levy believes that the overall INI/IH investment will now be around $400m instead of $500m, but he insists that this trim can be achieved without losing any of the industrial objectives of the venture.

The idea is that IH technology and management expertise can improve existing Enasa products and return the company to profitability by 1985. At the same time the excess labour force can be redeployed in the new engine plant and in other areas.

Meanwhile, a number of changes will be introduced to improve Enasa's image and operational efficiency. A new hire purchase subsidiary is being set up. Enasa has lacked such a finance company to aid customer purchases. The company can benefit from special cheap credit available to buy capital goods.

A more aggressive policy is also being adopted towards the purchase of buses. A customary drain on Enasa cash flow has been the failure by the large municipalities to settle outstanding debts for the purchase of buses.

Enasa is further seeking to resolve the position of an engine plant in Venezuela into which Pta 3bn has been pumped. The plant has been completed, but it was built on the basis of exclusive supply to the Andean Pact—a notion that subsequently collapsed, leaving the plant idle.

Venezuela nevertheless rema important to Enasa as it ha 49 per cent stake in Desia which assembles Enasa C (completely knocked do kits. Another important ex market for Enasa vehicles recent years has proved to Egypt.

However, Enasa needs recoup its share of the medi and heavy truck market wit Spain. In 10 years this fallen from 70 per cent to per cent against more agg sive competition from Chrysl Dodge (now Talbot, joi controlled by Renault).

Talbot itself is still in throes of adjusting to various changes that h occurred since Peugeot mo in to take over Chrysl European operations th years ago. During the year both Enasa and Tal domestic market sales h dropped by the same amo but Talbot's exports h suffered much worse.

As for Motor Iberica, company is having to come terms with a sharp fall not o in all its vans and light tru but also agricultural machin and tractors. This has pressure on the company a time when it is preparing produce the first of the vehic resulting from its Nis partnership.

Motor Iberica expects produce up to 25,000 units the Nissan Vanette—in ad tion to the four-wheel dri Patrol. However, the recessi has meant that this investme has not been pressed as fast first expected in 1980.

Robert Graha

COMMERCIAL VEHICLE INDUSTRY OF SPAIN

(Units '000)	1971	1976	1977	1978	1979	198[illegible]
Production	79	113	141	158	157	[illegible]
Exports	8	10	29	45	49	[illegible]
	Change compared to prior year (%)					
Production	− 10	− 4	+ 24	+ 12	− 0	− [illegible]
Exports	− 24	− 29	+180	+ 55	+ 9	− [illegible]

† Partly estimated.

Source: Daimler-Benz Annual Report 1980

FALL IN SPAIN'S COMMERCIAL VEHICLES INDUSTRY

Production	Jan-July 1980	1981	Change %
Vans	20,514	17,657	−13.[illegible]
Light vehicles (3.5 to 9 tonnes)	8,245	6,047	−26.[illegible]
Heavy vehicles	6,418	6,270	− 2.[illegible]
Domestic sales			
Vans	20,133	13,718	−31.[illegible]
Light vehicles	7,189	5,420	−24.[illegible]
Heavy vehicles	5,523	4,613	−16.[illegible]
Exports			
Vans	1,892	1,659	−12.[illegible]
Light vehicles	804	370	−54
Heavy vehicles	1,497	1,100	−26.[illegible]

Source: Anfa[illegible]

Kevin Done reports

Growing dependence on overseas demand

EST GERMAN commercial vehicle manufacturers can still see no end to the recession either in the Federal Republic or in other important West European markets.

As a result producers are becoming increasingly dependent on booming demand from certain overseas countries, particularly a handful of oil-producing states in the Middle East and Africa, to sustain domestic production levels.

Where these extra foreign sales are not available, however — as in the light commercial vehicles sector, for example — manufacturers have been forced to go onto short-time working or have had to cut output by transferring workers to other operations.

In the first nine months of 1981 commercial vehicles production in West Germany fell ... per cent below last year's level to 239,700 units and in the month of September alone output was running at 21 per cent less than a year earlier. The downturn has moreover occurred particularly sharply. Last year the industry achieved its highest ever output of 357,481 vehicles, an increase of 12.7 per cent on the previous year. Some 58.6 per cent of production was exported compared with 56.2 per cent in 1979.

In the domestic market the problems this year have been caused by weakening industrial activity, high interest rates and lower corporate profits all of which are taking their toll of industrial capital investment programmes.

Hardest hit has been the building industry, which traditionally accounts for 30 per cent of heavy truck sales in the Federal Republic. Construction activity has fallen up to 6 per cent this year, new building orders are down by more than 17 per cent in real terms, the sector is expecting a record number of building firms to go out of business and about 100,000 construction jobs are likely to be lost. It is little wonder that vehicle sales from this sector have fallen sharply.

The decline in new orders for commercial vehicles became clearly visible in the domestic market in spring last year, and by the autumn of 1980 orders from export markets had also begun to flag. Failing orders soon began to show through in production and export figures this year. New registrations of trucks in West Germany tumbled by 15 per cent in the first nine months of 1981 to 93,840, while the total of new buses registered dropped by just under 22 per cent.

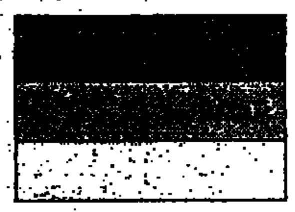
Exports have fallen overall because of weak demand from other West European countries which account traditionally for about three-quarters of the industry's foreign sales. Light truck and van exports have *dropped, leading to an overall* fall in export sales of 7.9 per cent in the first six months of this year compared with the same period of 1980.

Yet while the pattern has been one of overall decline in both home and export sales there have been sharp differences in the performance at the heavy and lighter ends of the weight range.

Heavy trucks is a sector in which West German truck and bus manufacturers have traditionally had their main strength, accounting for more than one third of all West European production compared with 22 per cent for the UK and 12 per cent for France. Here, manufacturers' sales and output have continued to increase with buoyant overseas demand. Indeed, in the first eight months of 1981 output of trucks of 10-12 tonnes rose by 19.5 per cent and production of lorries in the range from 13-16 tonnes increased by 10 per cent.

This increase was achieved in spite of a drop in 1980 in new registrations for medium and heavy trucks in the domestic market of some 10 per cent compared with 1979. This year, according to MAN, the country's second largest heavy truck maker, there will be a further drop of about 25 per cent and new registrations will approach the low point reached in the 1970s when in 1974 only 25,095 new vehicles were registered.

WEST GERMANY



West Germany's commercial vehicle manufacturers occupy a dominant position in Europe in the heavier weight ranges. According to the most recent figures, the Federal Republic accounted for 36.7 per cent of West European output of lorries of more than six tonnes compared with a share of 22.5 per cent taken by UK producers and 12.1 per cent by French makers. In vehicles of nine tonnes and above West Germany last year produced 136,000 trucks and buses exporting around 46,000. By comparison the Japanese produced 156,000 selling some 79,000 in their home market.

In world terms the West German truck and bus makers represented only around 3.7 per cent of all commercial vehicles in all weight ranges in 1980 compared with the 4.6 per cent taken by France, the UK's 4 per cent, the 16.9 per cent of the U.S. and Japan's 41.6 per cent.

Recession

In a recent speech Herr Wilfried Lochte, the head of MAN commercial vehicles division, said the end of the current deep recession in the commercial vehicles market was still nor in sight. "The building industry is going through a bad period and in the goods haulage sector more and more vehicles are being taken off the roads. High interest rates do the rest. Our customers, mostly typical medium-sized companies, are deferring their decisions on new purchases."

As long as export sales hold up in this sector, manufacturers like MAN and Daimler-Benz can take the domestic and European recession in their stride. In the 12 months to the end of June 1981 MAN increased its heavy truck exports by 59.7 per cent to 11,048 vehicles finally reaching its goal set several years ago of exporting more than 50 per cent of its output. "Developments overseas have been different to those in Europe," says Herr Lochte. "It is the Opec countries in the Middle East which are setting the pace, just as they did in the mid-1970s."

Daimler-Benz, the world's leading heavy truck manufacturer, is expecting to raise its West German truck output again this year to about 111,000 from 102,000 last year, chiefly on the strength of demand from markets such as Nigeria, Malaysia, Indonesia, South Africa and the Middle East. Overseas sales are accounting for around 58 per cent of its truck programme above 6 tonnes compared with only 45 per cent in 1980.

In light commercial vehicles the option of increasing exports has not been available to the same extent and the problems have accordingly been more serious. In the first eight months of the 1981 output of vehicles up to 2 tonnes dropped by 20.7 per cent. In the class of 3-4 tonnes and 5-6 tonnes, production dropped by 17.7 per cent, for trucks from 7-8 tonnes output was down by 11.3 per cent and for lorries in the 9-10 tonnes class it was down by 6.3 per cent.

Volkswagen has been heaviest hit by the recession in this sector and has been forced to impose short-time working for several weeks this year. Daimler-Benz has also had to cut production and several hundred workers have been moved to other manufacturing operations within the group.

It is in this sector too that domestic manufacturers are also beginning to meet another challenge, which has little to do with the vagaries of the business cycle. The Japanese who have already captured around 10 per cent of the West German car market in the last two years, are now turning their attention to the West German commercial vehicle market.

Boost

The Japanese succeeded in boosting their share of the total West German commercial vehicles market to 3.9 per cent in the first seven months of the year, compared with 2.5 per cent in the whole of 1980 according to figures from the West German Motor Industry Federation (VDA).

The challenge is coming chiefly in the market for car-derived vans and light vans, but the battlefront is being broadened and at least one Japanese manufacturer, Mitsubishi, has recently announced that it is planning to introduce light trucks in the 4.6-5.5 tonnes range in the near future. Mitsubishi plans to import only the chassis and cab and will build the rest of the body in Germany.

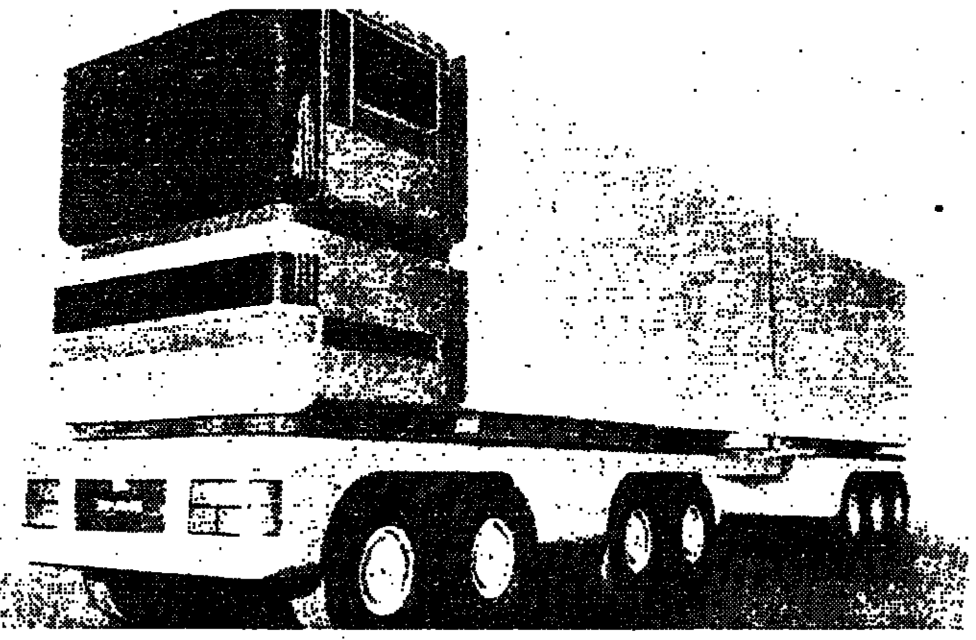
In the heavier trucks sector the German manufacturers are still confident that the technical standard of Japanese commercial vehicles, particularly in terms of engine development, does not yet approach that of the European truck makers. Mindful of recent experiences in the car market, however, Herr Lochte of MAN adds the warning: "We must assume that under the increasing need to export the Japanese will catch up within the next few years."

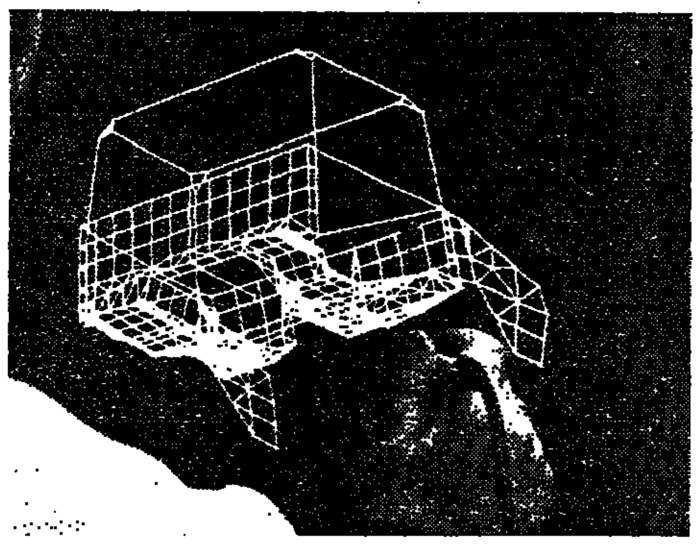
Indeed, importers as a whole took nearly 17 per cent of the German commercial vehicles market last year compared with 15.4 per cent in 1979 and a mere 2.5 per cent in 1965.

West German commercial vehicle makers established themselves in foreign markets rather earlier than the Japanese, and beyond relying simply on exports they have also been actively building up local manufacturing operations abroad. Commercial vehicle producers from the Federal Republic last year turned out 135,534 vehicles in foreign-based plants compared with only 61,330 10 years earlier.

This push to establish overseas manufacturing bases has been led by Daimler-Benz with MAN and Volkswagen playing an increasingly important role.

The most ambitious move abroad in recent months has come from Diamler-Benz with the $260m take-over of Freightliner in the U.S., which holds about 10 per cent of the U.S. market for trucks of 15 tonnes and above. The acquisition marks a big step forward for Daimler-Benz in the U.S. where it had previously limited its efforts to gaining a modest foothold in the market for medium-sized trucks with the building of its own assembly plant in Virginia.





LOOKING AHEAD

Could this be the shape of heavy trucks of the future? It is a design study, called the X90, by MAN and it incorporates many practical ideas for the new generation of vehicles which will be seen at the end of the 1980s. Left: a screen check of plans for a Unimog cab at Daimler-Benz.

COMMERCIAL VEHICLE INDUSTRY OF WEST GERMANY

(Units '000)	1971	1976	1977	1978	1979	1980†
Production	286	321	314	296	317	358
Imports	20	26	29	35	42	43
Exports	147	206	189	169	178	211
of which to Europe	94	108	110	99	119	130
New registrations	163	137	138	156	170	176
	Change compared to prior year (%)					
Production	− 9	+ 15	− 2	− 6	+ 7	+ 13
Imports	− 41	+ 17	+ 10	+ 21	+ 19	+ 3
Exports	− 7	+ 16	− 9	− 10	+ 5	+ 18
of which to Europe	− 4	+ 39	+ 2	− 10	+ 20	+ 10
New registrations	− 1	+ 26	+ 0	+ 13	+ 9	+ 3

† Partly estimated.

Source: Daimler-Benz Annual Report 1980.

LEADING WEST GERMAN TRUCK MANUFACTURERS

(All-weight classes)

	1980	1979	Share in total West European output %
Daimler-Benz	178,749	163,127	11.4
Volkswagen	114,591	92,450	7.3
MAN	21,610	18,121	1.4
Iveco/Fiat (Magirus, Fiat)	18,692	18,859	1.2
Opel/General Motors	6,137	8,223	0.4
Total West Germany	340,264	301,129	21.7

Source: Daimler-Benz

UK vehicle operators are being brought into line with the rest of Europe as EEC regulations come into force. Lynton McLain reports.

THE TACHOGRAPH becomes compulsory from December 31 1981 for most goods vehicles over 3.5 tonnes gross laden weight and for passenger vehicles with more than 15 seats and not used for regular services.

This date marks the official end of the British Government's battle to prevent British vehicle operators being forced to install and use the machine in place of log books as stipulated by our membership of the European Community.

Britain should have made the use of the tachograph vehicle and driver performance recorder — compulsory from January 1 1976, under the EEC regulation number 1463/70—but failed to do so by strong pressure from the transport unions and successive governments which shied away from the contentious issue.

In February 1979 the European Court of Justice found the UK guilty of not bringing forward measures to bring British practice into line with that required by the EEC regulation.

Within months, however, the British Government had moved towards the compulsory fitting of tachographs. A two-year programme for phasing in the machines started on April 1 last year, when the first class of vehicles, those registered on or after December 1 1979, had to be fitted with tachographs.

The trades unions, however, did win some concessions from the Government. Revised plans now call on drivers to retain tachograph record sheets for UK journeys for two days instead of the seven originally proposed. The Transport and General Workers Union called this a "major concession."

The Freight Transport Association organised a series of seminars on the introduction of the tachograph last year and is still a valuable source of guidance and advice about how to make the most of the tachograph and the extra performance information it can make available to drivers and company managers.

Other measures to bring Britain into line with EEC regulations, aimed at harmonising the national laws on critical aspects of transport, came into effect earlier this year with the last round of the changes affecting drivers' hours.

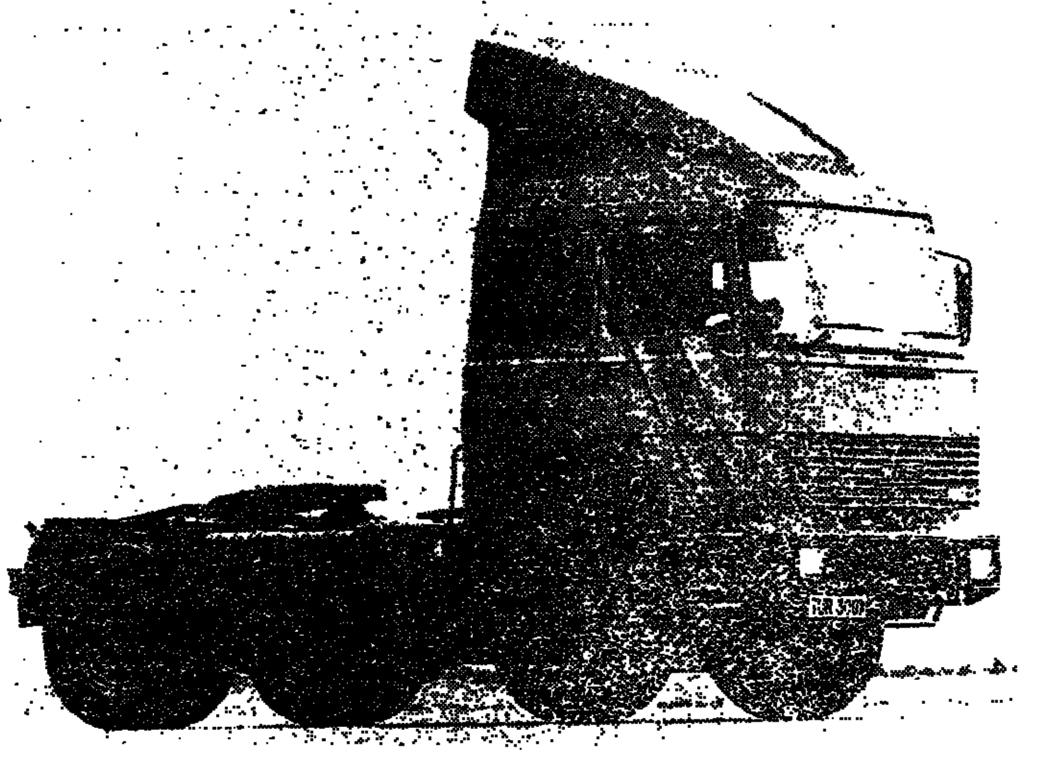
Under these measures, the maximum continuous driving period for lorry and coach drivers was brought down to four hours, with effect from January 1 1981.

The maximum daily driving period was set (from January 1 1981) at eight hours and drivers were required to drive for no longer than 48 hours a week and 92 hours a fortnight. The tachograph provides the new means for enforcing these regulations which are themselves aimed at improving conditions for drivers and for raising safety standards for passengers, other road users and pedestrians, by curbing the strain on drivers.

Apart from these two major regulations aimed at harmonising UK regulations with those of the other members of the EEC, a number of other measures are still outstanding.

In particular, six other main measures remain to be implemented to bring Britain into line with EEC regulations. These include: the introduction of a European Community driving licence, with full effect from January 1 1986; roadworthiness, and tests to be made annually for road passenger vehicles and their trailers from January 1 1983; changes to permissible sound levels and exhaust systems, from April 1 1983 for road vehicles, and for motor cycles from October 1 1982, when new braking regulations aimed at reducing lorry, trailer and bus jack-knifing also come into force. Also, rear-view mirrors for two-wheel vehicles will be compulsory from February 1 1982.

A scheme to allow the exchange of driving licences between member countries comes into effect on January 1 1983, as an interim measure to the full Community driving licence.



The Iveco third generation tractor seen here has a designed maximum weight rating of 44 tonnes, like many of its competitors. However, the indications are that the EEC countries will harmonise the top permitted gross weight for on-road vehicles at 40 tonnes

FORECAST OF LORRY TRAFFIC IN UK TO THE YEAR 2000

	Road Freight (1,000m ton miles)	Lorry miles—(1,000m.) Under 25 tonnes	Over 25 tonnes	All lorries
1978	60.3	9.6	3.8	13.4
1990 (low growth case)	70.8	7.6	5.3	13.0
with change over 1978	(+17%)	(−21%)	(+39%)	(−3%)
1990 (high growth case)	77.2	8.3	5.8	14.1
with change over 1978	(+28%)	(−14%)	(+53%)	(+5%)
2000 (low growth case)	75.0	7.0	5.8	12.9
with change over 1978	(+24%)	(−27%)	(+53%)	(−4%)
2000 (high growth case)	84.2	7.9	6.5	14.4
with change over 1978	(+40%)	(−18%)	(+71%)	(+7%)

Source: Armitage Report, December, 1980.

Tension as Japanese share o commercial market grows

The Japanese influence

KENNETH GOODING

PROTECTIONISM in the motor industry grew to such an extent during the past year that there is now hardly any industrialised country in the West which does not impose some form of restriction on Japanese car sales.

Even in West Germany, where the local motor industry relies heavily on exports and, *therefore, free trade, there are* "voluntary" restraints this year—although the German manufacturers insist it will be for one year only.

Faced with the prospect of severely curtailed growth in Western car markets, the Japanese have turned their attention to the commercial vehicle business.

As the accompanying table shows, shipments of Japanese *commercials* to Western Europe during the first six months of 1981 increased by 33,088 or 38 per cent from the same period last year.

Shipments to all markets, except Britain, France and Denmark, were up substantially from the 1980 level with the main jumps in West Germany, up 15,733 or 173 per cent, and Switzerland, up 6,240 or 102 per cent. As a result, the Japanese share of the Western European commercial vehicle market rose 3.8 per cent, compared with the first half of 1980, to 10.8 per cent.

The Japanese concentrate on making light commercials in the main because these are the kind of vehicles their home *market requires, and they are* the kind of vehicles which do not look out of place alongside cars in a showroom. So, once *the manufacturers have a dealer* network in place, they can feed it light commercials as well as cars.

As with the car sector last year, the Japanese set records with commercial vehicle production. Output was 15.8 per cent ahead of the 1979 level at just over 4m. Of the total, a little more than 3m were light commercials up to two tons loading capacity. The remainder of the output was made up of 885,198 of trucks over two tons and 91,588 buses.

The two major car makers also lead the field in commercial vehicle production. Toyota turned out 954,200 commercials in 1980 while Nissan *manufactured* 678,646.

The rest of the "top ten" Japanese commercial vehicle producers last year were Mitsu*bishi* (438,000), *Suzuki* (381,000), Toyo Kogyo (379,500), Isuzu (356,000), Daihatsu (275,000), Fuji (223,600), Honda (111,000) and Hino (69,000). Hino is the country's major heavy truck producer.

Exports of Japanese commercials were already moving ahead very rapidly last year and achieved a 38.3 per cent jump on 1979 at just over 2m.

Shipments to the EEC countries increased by 34 per cent from 112,425 in 1979 to 150,788 last year. This, and a 92 per cent rise to other European markets—up from 35,748 to 68,634—caused some friction and began the spread of protectionism to the commercial vehicle business.

As with cars the British led the way. Last February, during the regular round of meetings *between the UK industry, repre*sented by the Society of Motor Manufacturers and Traders (SMMT) and the Japanese Automobile Manufacturers Association (JAMA), the British pressed for the same kind of "voluntary" restraints on commercials as they have done for cars.

The British understanding of that agreement is that the Japanese will restrict shipments so as not to take more than 10 to 11 per cent of total sales in any one year. Although the Japanese admitted to reaching "*a broad measure of under*standing" about light commercial vehicle shipments, however, there has been considerable friction this year. (The "understanding" is only about light commercials—those under 3.5 tons—because the Japanese agreed in 1975 not to ship direct any trucks over that gross weight to the UK.)

After the industries met in February, the British expected that the Japanese would aim for a market share of 11 per *cent for light commercials.* At the half-year, however, their penetration was more than 17 per cent.

BL, the state-owned group the restrictions were designed mainly to protect, was so upset that it pressed for closer UK Government involvement in future negotiations with the Japanese. This would not necessarily mean the Government taking the lead in discussions. But BL wanted the Government to make clear to the Japanese manufacturers that it backed the British industry's efforts to reach an urgent agreement on commercial vehicle shipments along the lines of the one for cars.

Even so, it was somewhat surprising that Sir Keith Joseph of all people should castigate the Japanese for failing to keep light commercial exports to the UK within the understood limits.

While still acting as Industry Secretary during a visit in September to have talks with Mr Rokusuke Tanaka, Japanese Minister of International Trade and Industry, Sir Keith put the topic at the head of his priorities list. He told Mr Tanaka that the Japanese motor industry must understand how discredited it would be if the level of sales covered by the voluntary agreement continued to be exceeded for the rest of the year.

Some people in the British industry say that Sir Keith's intervention came too late. The Japanese have exported 24,000 light commercials to the UK so far this year and even if no more were shipped in 1981 the British industry estimates that—if those shipped were all sold—the Japanese market share would be 15 per cent for the full year.

The Japanese argue that two of the vehicle types with which they have carved out a substantial market share are not even made by British producers—or in the EEC for that matter. The vehicles in question are "microvans" (small purpose-built panel vans) and one-ton pick-up *trucks. There is a strong case* for excluding these types of vehicles from the voluntary restraint agreements, according to *the Japanese.*

The British counter by suggesting that the microvans and pick-ups have not expanded the light commercial market but are simply being bought as substitutes for other vehicles. In particular, BL and Ford reckon that the Japanese have been hurting sales of ordinary panel vans—such as the Ford Transit and BL's Sherpa.

Another big leap in the Japanese share of the *light* commercial market in September further increased the tension between the UK and Japanese *industries. The two sides are* due to meet again this month and "it will be a pretty tough session. We are unhappy about the situation," says Mr Anthony Fraser, director of the SMMT.

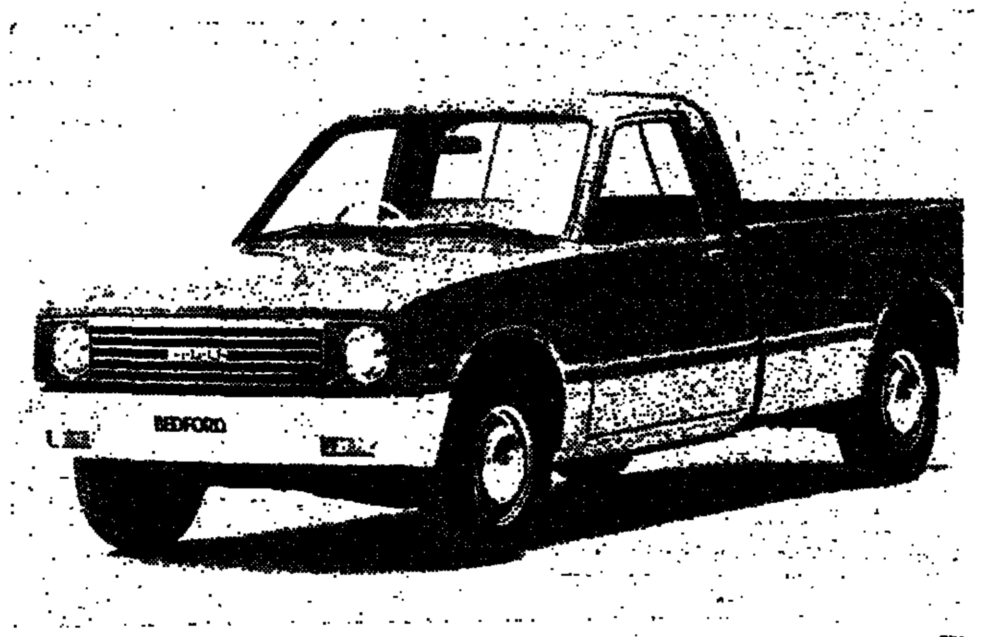
At the end of September the Japanese had taken 18 per cent of light commercial vehicle sales this year. However, the Japanese cut shipments severely *in August—only* 85 were exported to the UK—and the September figures were also very low.

Apart from the UK, Japan is also limiting exports of commercials to the U.S. as of the general policy of rest ing shipments to that cou Other countries could f suit if the big increases i West European markets tinue for the rest of the

JAPANESE COMMERCIAL VEHICLE SHIPMENTS TO EUROPE

	First half 1980	First half 1981	Cha
UK	29,392	24,127	-
W. Germany	9,111	24,844	+
France	7,056	5,677	-
Italy	459	630	-
Austria	2,136	5,614	+
Belgium	5,067	7,281	-
Denmark	2,945	2,867	-
Finland	3,641	4,980	-
Ireland	2,787	3,088	-
Netherlands	4,655	8,367	-
Norway	3,403	5,413	-
Portugal	10,568	14,210	-
Sweden	1,119	1,489	-
Switzerland	6,088	12,329	+
Total	87,827	120,915	

Information based on data published by the Japanes Automotive News and JAMA (Japanese Automobile Manufacturers' Association)



The badge says "Bedford" but the vehicle is pure Japanese. This is the Ki one-ton pick-up truck made by Isuzu in Japan and imported in built-up for Europe by General Motors for sale through Bedford dealers. GM owns Bed and has a 34 per cent shareholding in Isuzu

COMMERCIAL VEHICLE INDUSTRY OF JAPAN*

(000)	1971	1976	1977	1978	1979	1980†
Production	2,093	2,814	3,083	3,186	3,460	4,005
Imports	1	1	1	1	2	2
Exports	480	1,171	1,394	1,451	1,461	2,020
of which to Europe	22	72	95	95	146	216
New registrations	1,618	1,655	1,694	1,825	2,117	2,161
	Change compared to prior year (%)					
Production	− 1	+ 19	+ 10	+ 7	+ 9	+ 16
Imports	+ 14	− 8	+ 44	+ 4	+ 69	+ 6
Exports	+ 33	+ 38	+ 19	+ 12	+ 1	+ 38
of which to Europe	− 11	+ 59	+ 32	− 0	+ 54	+ 48
New registrations	− 6	+ 5	+ 2	+ 8	+ 16	+ 2

* From 1978 on, actual figures excluding major component sets.
† Partly estimated.

Source: Daimler-Benz Annual Report 1980

Deciding how lorries should serve the public interest

Armitage and after

LYNTON MCLAIN

LONG-RUNNING saga of sion by the Government the Armitage report on , people and the environ- is nearing an end, to the s relief of commercial e manufacturers and users.

Government is widely ted to announce before the f the year what action it ses to take on the 58 mendations made by Sir r Armitage and his y in December 1980.

report was the result of onths' work considering causes and consequences growth in the movement ight by road and in par- r, of the impact of the on people and their onment; and to report on best to ensure that future opment serves the public st."

ention is expected to con- ate on the final few words e terms of reference, in ular the Government's pretation of that ambiguous e "the public interest."

s has to include the needs fears of people served by s and those who are often idated by them as they the goods and materials aily life.

t public interest also has to de the wider interests of British economy. This has mbrace the interests of stry, the road freight ators, the makers of com- ial vehicles and their com- nt suppliers.

lancing these often con- ng interests is likely to e difficult, particularly use many of the most ferous opponents of the th in the lorry's dominance Conservative MPs in ronmentally sensitive rural s.

ven the Government is d to accept that this th has been unprecedented cent years. Road transport unted for 36 per cent of all s transport measured in miles in 1953. By 1979, the portion had almost doubled 5 per cent.

he report posed the ques- : "Why has the lorry taken lion's share of the increase freight transport?" The n's share" might be taken some critics of lorry trans- as a considerable under- ment.

tween 1953 and 1979, the milage of goods transported all methods increased 80.6 cent from 54.7bn ton-miles to 98.8bn ton-miles. Road freight traffic rose 224.8 per cent, "and is continuing to increase," the report said.

The average length of haul by lorries over the period nearly doubled to 43 miles in 1979 and the demand for longer hauls had been increasing, the inquiry said. The average haul by road is now more than half the average distance by rail.

Almost all materials and products went by road in 1979, including 98 per cent of food, drink and tobacco, 88 per cent of building materials, timber and aggregates, 90 per cent of chemicals and fertilisers, 78 per cent of iron, steel and other metals, 91 per cent of "other commodities." There was an overall average of 78 per cent of the ton-miles for these commodities compared with 14 per cent by rail and 8 per cent by pipeline.

The report tried to explain why the lorry had become dominant, and said that "road hauliers were able to cream-off traffic (from the railways) by charging on the basis of the cost of transport, when the railways had to charge according to the value of the goods carried."

It concluded that "we can say with certainty that we are now overwhelmingly economically dependent on the lorry; that in some form or another it is here to stay in the foreseeable future."

But it admitted that a "price had been paid in the effect of lorries on people and the environment."

Difficulties arise when attempts are made to quantify lorries' effect on people and their environment, because the techniques for measuring environmental effects are much less well developed than techniques to measure the economic impact of lorries.

Nevertheless, people are conscious of the intrusion, noise, fumes, pollution, vibration and bad parking in urban areas.

According to Armitage, noise is the most important aspect. "Noise from lorries can sometimes seem overwhelming, drowning out other sounds," the report said. Road traffic in general is the biggest single source of noise, and affects more than one household in 10, according to the Noise Advisory Council.

Absolute noise levels from lorries have probably increased over the last generation, and individual lorries became noisier at least up to 1970. The heaviest lorries are "very noisy and as bad as an unsilenced pneumatic drill at eight yards," the report said.

However, lorries are likely to get quieter and models are already coming into production which meet noise requirements of 88 decibels (dB(A)) and 86 dB(A). These levels will become compulsory from March 1983. They compare with the noisiest lorries, at 96 dB(A). A change in noise level of 10 dB(A) equals about a two-fold change in loudness.

The report said little about vibration, and concluded that "there is particular ignorance about the effects of vibration from traffic on very old buildings."

It was unable to say conclusively whether lorry problems were getting worse, only that "subjectively they seem to be getting worse." The issue was particularly important at local level and in many places the problem was "insupportable."

It added: "There must be improvement, both for the sake of the quality of people's lives and because without it, resentment and hostility towards the lorry will increase and put at risk the economic advantages of the lorry."

The inquiry urged the Government to make progress across a broad front, but insisted that the 58 proposals could not be regarded as a package. The controversial recommendations for heavier lorries could be acceptable only if other suggestions for improving the environment were accepted at the same time.

The issue of heavier lorries is the one area which has already been decided by the Government, at least in part.

Mr Norman Fowler, the former Transport Secretary, rejected the Armitage recommendation to raise the maximum gross weight of lorries, now 32.5 tonnes, to a maximum of 44 tonnes on six axles. This higher weight was in line with a recommendation from the European Commission. However, it was against the wishes of the European Parliament which wanted lorry weights harmonised at 40 tonnes maximum.

The inquiry called for four-axle lorry weights to be raised to 34 tonnes; five-axle lorries with two axles on the tractor driving unit to 38 tonnes and five-axle lorries with three axles on the tractor to 40 tonnes.

But the report insisted that these heavier lorries should be no bigger in length, width or height, than existing lorries; that they should have greater safety factors; that they should create less noise and lead to an improvement in the environmental effects and that they should do no more damage to bridges and roads than existing lorries.

COMPARISON OF PROPOSED HEAVIER LORRIES WITH EXISTING UK AND EUROPEAN LORRIES

(Current maximum)	Gross weight (tonnes)	Axle weight (tonnes)* Steering	Drive	Trailer	Standard axles	Road Damage number
4 axle:						
UK	32.5	6	10.2	16.3	2.1	9.5
W. Germany	36	6	10	20	3.1	12.6
France	38	6	12	20	4.2	17.6
Italy	40	6	12	22	5.1	18.3
EEC proposal	35	6.1	10.9	18	2.9	11.9
Proposed for UK	34	5.3	10.3	18.4	2.6	11.5
5 axle:†						
W. Germany	38	6	10	22	2.0	7.6
France	38	6	12	20	2.8	11.6
Italy	44	6	12	26	3.9	12.5
EEC proposal	40	6	10.6	23.4	2.5	8.9
Proposed for UK (38 tonnes)	38	5.8	10.3	21.9	2.1	8.1
Proposed for UK (40 tonnes)	40	5.8	7.5-7.5	19.2	2.4	8.9
6 axle:						
Denmark	44	6	8-8	22	2.1	6.8
Holland	50	6	9-9	26	3.1	8.6
EEC proposal‡	44	6.6	7.6-7.6	22.2	1.8	5.7
Proposed for UK	44	6.1	8.0-8.0	21.9	1.8	5.9

Notes:
* The axle weights are the typical running weights assumed.
† 2-axle tractor, 3-axle trailer except the 40 tonne lorry proposed for the UK, which has a 3-axle tractor.
3 Figures for EEC proposals and for UK proposals calculated by TRRL.
4 Figures for other European countries calculated by EEC.
‡ European Commision proposal now calls for a maximum gross weight of 40 tonnes.

Source: Armitage Report, December, 1980.

Rigid standards used to guard national markets

Protectionism

LORNE BARLING

THE SEVERE contraction of the European vehicle market in the past two years has been accompanied by increasingly blatant efforts to protect national interests by restricting the volume of imports, particularly at the heavy end of the truck range.

This has generally been attempted through the more rigid application of the various national type approval regulations, which allow individual countries to apply their own set of standards in addition to the overall European Community rules.

Last month the UK joined other EEC countries by imposing its own type approval regulations, which will apply to all commercial vehicles manufactured on or after October 1, 1982, or first used on or after April 1, 1983. These are broadly similar to car type approval regulations which have been in force for some time, and are unlikely to cause great problems for manufacturers.

The new system has been introduced largely as a result of pressure from some sectors of the commercial vehicle industry which have been disturbed by the increasing incursions made by foreign—notably European—manufacturers in the UK market.

At the same time it has been felt that some European countries are unfairly using technical requirements to prevent, or at least delay for long periods, the introduction of new British models into their own markets.

The recent increase in Japanese car sales in Europe, however, and fears that a similar flood of commercial vehicles from the same source will damage the European industry, have stimulated a more unified approach by EEC countries to the overall problem of imports.

Japanese manufacturers have already established a strong foothold in the European market for lighter commercial vehicles but their intentions at the heavy end are far from clear. Last year's protests by trade unionists over the sale of Hino trucks in Britain now appear to have died down, but the long-term intentions of the company have not been revealed.

There is little doubt that a determined European export drive by Hino, a very large truck producer by any standards with an output of more than 75,000 units a year, would be extremely damaging to an industry where growth is likely to be slow for the foreseeable future.

Hino has already captured a substantial share of the Irish market for 16-ton plus vehicles through an assembly operation near Dublin. It was the establishment of HVC motor vehicle distributors at Warrington, to import Hino trucks from Ireland for sale in the UK market, that sparked off trade union protests last year.

It was claimed that this contravened an informal agreement between the British Society of Motor Manufacturers and the Japanese Automobile Manufacturers' Association which is said to prevent Japanese trucks of over 3.5 tonnes being imported into the UK.

Although HVC distributors originally said it intended to register around 500 Hino vehicles in Britain during its first year of operation, it announced that the figure was only 120 so far this year and did not expect the number to rise to more than around 200 next year. The company also claims extenuating circumstances, such as the fact that its vehicles have a 22 per cent content of UK-made components, on which it spends up to £3m a year, and that this percentage is even higher on some models. Three Hino models are currently being sold in Britain in the 24- to 32-tonne gross weight range, and HVC is currently attempting to join the SMMT.

There is little doubt, however, that Hino could defy all legal attempts to restrain its imports, since its ability to introduce any modifications which EEC countries may see as necessary could certainly be achieved faster than the European industry itself, given its engineering resources.

At present this is regarded by the UK industry as a worry rather than as an immediate threat, but it comes against a background of continental competitors gaining a 20 per cent share of the British market, compared with only about 5 per cent in 1973. The problems have come mainly at the heavy end of the spectrum, since most UK companies have responded well to changing demand patterns for lighter vehicles.

Companies such as Ford, Bedford, Leyland and others have been able to sell their lighter vehicles successfully on the basis of lower operating costs than most continental competitors, and Ford and Leyland particularly are responding with better performance on their heavier ranges. The smaller specialist UK groups Foden, ERF and Seddon Atkinson are, however, still suffering severe competition from imports.

Leyland has recently launched a major counter-attack on the Continent with its T45 Road-train series and, having done a considerable amount of homework on the way through the European-type approval maze, has quickly achieved confirmation in France, Belgium, Spain and Portugal. Initial sales have been encouraging.

Type approval for the vehicle is now being sought in Denmark and East Germany, while Leyland vehicles has recently submitted two specially modified T45s to the Bulgarian state transport operation Somat in a bid to win an order from the organisation, which replaces between 700 and 1,000 of its vehicles each year.

The modifications include more powerful heating systems and air-conditioning to withstand climates ranging from sub-zero temperatures in the Soviet Union to desert conditions in Afghanistan.

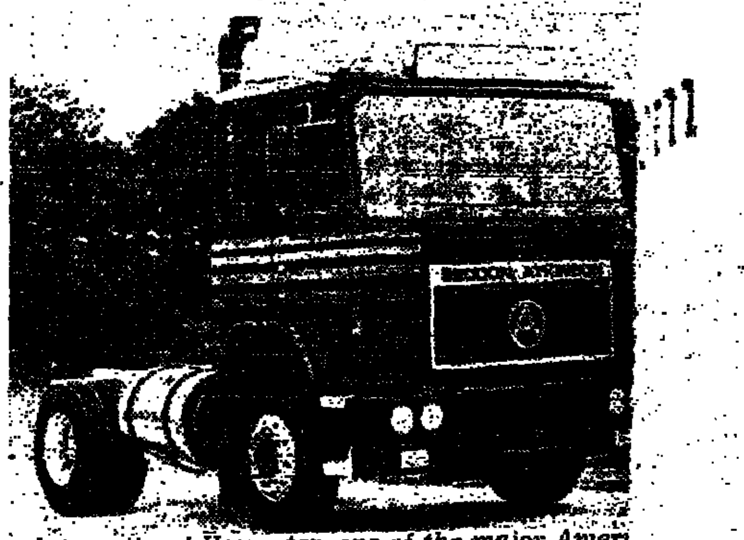
Vehicle standards do not generally pose a problem in Eastern Europe, where manufacturers are increasingly seeking sales in the absence of any strong demand in the rest of Europe, but "buy-back" deals are often necessary and sometimes cause difficulties.

Overall, the problems of type approval have become somewhat less acute in Europe over the past few years; not through any concessions which the traditionally difficult countries such as France have made, but through the ability of manufacturers to meet the demands. This has only been achieved at considerable cost, however.

Ford estimates that a round half of its total engineering budget on commercial vehicles in Europe goes on "climbing over barriers," although the sums involved have been coming down recently. "This has gone on for about 10 years and makes one wonder what could have been achieved if that money had been spent on vehicle development," Ford said.

Expenditure of this type has taken a heavy toll on the smaller truck manufacturers, particularly in Britain, since they have been unable to match the sums spent, and still being spent, by the major concerns such as Volvo, Ford and the West German groups such as Daimler-Benz. In the longer term, severe bureaucratic delays, which still can mean up to three years before a truck gets into a new market, are as likely to spell the end of smaller truck manufacturers as any competition from outside Europe.

Plans for bigger inroads into world market



International Harvester, one of the major Ameri[can] truck manufacturers, acquired Seddon Atkinson [in] the UK in 1974. The latest Seddon Atkin[son] heavyweights have brought back the big "A" m[...] which British drivers seem to prefer

Americans in Europe

JOHN GRIFFITHS

IN THE past few months, the jigsaw concerning the intentions of International Harvester, the largest heavy truck maker in the U.S., in Europe has begun to fall into place.

Last year IH bought a 35 per cent stake in ENASA, the Spanish producer of Pegaso *trucks then 91 per cent* owned by INI, the state holding company. At the same time it was agreed that an engine manufacturing facility, owned 65 per cent by IH and 35 per cent by INI, would be set up to make 80,000 Series 400 diesel truck engines a year. A third part of the agreement provides for IH to start making tractors in Spain.

What therefore, the industry wondered, would be the role of Seddon Atkinson, the UK truck maker 100 per cent owned by IH, and of Daf? At the time, IH was also engaged in talks with the Dutch manufacturer and Peugeot—which owned Dodge—on possible collaboration and it was in the process of raising its stake in Daf from 34 to 37½ per cent.

The talks with Daf and Peugeot failed because neither IH nor Peugeot appeared prepared to concede control over any partnership which may have emerged. Now, however, relations between IH and Daf, which had already begun to cool, have taken a sharp turn for the worse.

At the end of last month DAF won the first round of a legal battle with IH when an Amsterdam court ruled that a change in DAF's statutes which would limit the power of shareholders was lawful.

The court turned down an application from IH for an injunction stopping DAF from becoming an "SV" company, under which it can transfer substantial powers to its supervisory board at the expense of shareholders. It is a device used in the past to fend off takeover bids.

DAF's case was that IH's plans for Enasas and Seddon Atkinson would be damaging to the future of DAF. As this survey was being prepared the court ruling had yet to be upheld, but it illustrates clearly that relations between the companies have now broken down.

In the words of Mr Carl Levy, who is responsible for IH truck operations in Europe, Africa and the Middle East, the two pillars *of IH's strategy* to achieve the same leadership in all major markets it retains in the U.S., *have now* become Enasas and Seddon — in that order.

Overall, it has been a bad year *for* IH. It has lost about $500m and is undergoing a restructuring involving some lay-offs among its 73,000 employees, the reduction of its five operating divisions to three and a new financial plan to service some $5bn of debts.

Despite that, it insists that none of its original industrial objectives for Enasa are to be changed. The net effect seems *to be that the $500m it planned* to invest in Enasa and the new engine plant will be trimmed to *$400m.*

Thus while Mr Levy has given assurances that there is no intention of weakening Seddon Atkinson—which accounts for about one in ten of new heavy trucks sold in the UK—there is no doubt that the main impetus for IH's drive to acquire a major European presence will come from Spain.

Even when their current output is combined, however, Enasa, which builds about 15,000 Pegasos a year, and Seddon, which has the capacity for about 5,000, fall far short of 100,000 units a year which is widely acknowledged as the target for volume track manufacturers to realise the full potential of economies of scale.

It is inevitable, therefore, that when the next generation of emerges, they will have been rationalised and likely to share major components common also to IH trucks built in the U.S.

The trucks themselves are expected to be largely designed and developed in the U.S. although a European product planning committee has been set up with the increasing technical liaison between the two European companies. The engines to be built in Spain—land has been bought near Madrid, close to the existing Enasa plant—will themselves be largely destined for the U.S., for fitment to IH's American truck range as well as Anasa's and Seddon's.

In the meantime, however, a major priority is to establish a comprehensive distribution network for the existing trucks throughout Europe. Neither Seddon nor Enasa has any significant presence in Europe outside its own national base, and IH has indicated that it is prepared to spend $60m or so providing one. In the longer term, the activities of the European companies will in turn provide *the springboard for IH's plans* to make much bigger inroads into the developing markets of *Africa and the Middle East.*

It is this global approach to production and markets, moving towards the concept of the "world truck" which is responsible for potentially great upheavals at one of the two existing U.S.-owned heavy truck operations in Europe: General Motors' UK-based Bedford facilities.

Bedford, the commercial vehicles arm of Vauxhall, was entrusted by GM with building trucks for Europe and some developing world markets in the early 1970s, at the same time as its *West German sister* company, Opel, was given similar responsibility for cars.

Four months ago, however, GM announced that it was reorganising its truck operations world-wide, bringing control back to the U.S. under Mr Reuben Jensen, executive vice-president in charge of truck and bus, power products and component operations.

The intention is to bring together the currently fragmented truck operations, which have seen the various truck businesses operating almost autonomously, with an associated duplication of design, engineering and manufacturing effort. It might also be said that GM was rather shaken by the appearance of the European truck makers in *its own* backyard with their medium-weight diesel trucks, and in particular by Daimler-Benz's acquisition of the Freightliner trucks group.

The new organisation will, says Mr Jensen, "look at all designs and all markets." In six months' time it is expected to have completed its deliberations on what form its first medium weight "world trick" will take. What is virtually certain is that the commonality of components will extend at least to engines, transmission and axles while even frames and cabs might not be ruled out.

So where does that leave Bedford? The answer is, worried.

The British company has done fairly well in an extremely depressed UK market this year, increasing its share of the market for trucks of over 3½ tonnes slightly to about 16 per cent. In common with other UK makers, however, it has been suffering severely in export markets because of the strength, *until recently, of sterling.*

Bedford professes to see the reorganisation as encouraging, in that it could play a key part in the production of components, even if its role as an autonomous, integrated producer of trucks is under threat.

Nevertheless, there had been increasing worries over the role of Isuzu of Japan—in which GM has a 34 per cent stake—in GM's truck operations. Isuzus have already been used to plug some gaps in *the ranges of* Bedford and Chevrolet trucks overseas. The key question, therefore, is whether Isuzu might be drawn increasingly into the GM world truck net, with unknown ramifications for Bedford.

Mr Jensen has already warned that Bedford "is going to have to earn its keep. It had one of the best truck names in the world going for it in the 1970s. But by nature of not doing a good job, of keeping to schedules and satisfying orders, buyers got tired of waiting and turned elsewhere."

Mr Jensen says only that "we have every intention of saving all the parts of Bedford that we can," but he acknowledges that recently Bedford has made "tremendous strides" in bringing its costs into line.

The scepticism of the one American giant about its UK interests do not appear to be shared by the other: Ford. In the next five years it is investing some £1bn in commercial vehicles in Europe, four-fifths of it in the UK. With the now imminent closure of its Transcontinental *heavy truck plant* at Amsterdam—basically an assembly operation for other manufacturers' *components*—Britain will be its only manufacturing base for trucks proper.

In the spring of this year Ford launched its "truck for Europe," the Cargo range, at the same time announcing that it planned to match its performance in *light commercials* in the European heavy trucks market. Ford is the largest cv producer *in Europe, but only* because of its strength in vans. The Transit, expected to be replaced *as part of the £1bn* programme, is still the best selling commercial in Europe.

There are two more American newcomers to the European scene.

RVI, the commercial vehicles arm of Renault, is now marketing in Europe some of the heavy trucks from Mack, th[e] producer in which Renau[lt] a 20 per cent stake in 1[979] with which it plans co[...] tion on future models. [...] the vehicles *being* im[...] which centre around [...] gross tonnes range, vi[...] *Renault's own tractor* however. The arrangeme[nt] also extended a few mor[e] *to Renault Truck and Bu[s]* British subsidiary.

The other is Pacc[ar] *Seattle-based* produc[er] Peterbilt and Kenworth which sell at the premi[um] *of the U.S. heavy truck* [...]

Paccar has taken o[ver] assets of Foden's, the S[...] *Cheshire-based maker* t[...] int oreceivership last y[ear] relaunched it as S[...] Engineering Company[...] rently the plant is ticki[ng] still making a limited [...] Foden trucks with a w[...] reduced from 2,000 to [...] the short term, it is [...] an upturn in the UK [...] before starting to u[se] fully the extensive facilities in Sandbach. [...] question for the longer [...] if, and when, it will ac[...] viously declared inter[...] start making inroa[ds] Europe as a whole.

Co-operation is the name of the survival game

AS COST pressures and the related need to maximise economies of scale increase in the face of Japanese competition around the world, it can be expected that the European truck industry will come to depend increasingly on that of the U.S. and vice versa.

Each can learn from the other. Europe has 20 manufacturers of trucks proper, those over 3.5 tonnes, sharing total sales of about 800,000 units annually, three-quarters of them within Europe.

Cost pressures have already brought about a number of co-operation deals within Europe, *with more to come, aimed at* spreading components and development work over as large a production volume as possible.

For all that, the European industry is still fairly heavily integrated vertically, *not least for* nationalistic reasons which account for a number of problems, among them the agonisingly slow progress to harmonisation of EEC vehicle legislation which Ford complains made it produce ½m pages of documentation for its Cargo truck launched this year. With it now costing about £150m to bring to market a new diesel engine, for example, it cannot afford to continue its vertical integration.

The U.S. has half the number of manufacturers, and a primarily domestic commercial vehicle market totalling 2m units. They have long been assemblers of shared components, and on that basis well down the road European makers have started to travel. But the *sheer size of the domestic* market has given them little incentive to pursue export markets hard. *Nor have the trucks* produced lent themselves readily to overseas markets. The European makers by contrast have had to be much more flexible.

In particular, until recently all but the very heaviest trucks, those of Class 8, or over 15 tonnes (and even some of those) have been petrol powered while the rest of the world has opted for the much more fuel-efficient diesel.

Several things have shaken this complacency, however: the *emergence of the Japanese* threat, the deflation of the fuel price cushion as the U.S. moves towards the world oil price and an expected cost per gallon of $5 by 1985, and the rapid erosion of *the foundation of* the economies of scale on which the light and medium truck *industry was based. The last* has come about because all but Class 7 and 8 trucks were mainly based on petrol V8 engines manufactured in huge quantities for both cars and trucks. And the large American car is passing with unexpected rapidity into the history books.

Add to that the steep downturn in the U.S. truck market and forecasts that growth in the developed world's truck markets will be marginal right up to the end of the decade, while those of the developing world expand rapidly, and the case for U.S.-European co-operation is considerable.

The American industry, truck and *component makers* alike, can tap the expertise of the Europeans for making fuel-efficient diesel vehicles to replace existing light/medium trucks. The Europeans, in par*ticular component makers,* can plug in to the economies of scale of an American market *bigger than the combined* European. Both industries, by developing trucks and components suited for markets world-wide, could present a potentially strong challenge to the Japanese.

The vulnerability of the U.S. industry in changing circumstances has already been demonstrated by the scramble of its car makers to reduce vehicle size against a flood of small, fuel-efficient imports.

There is a parallel in the trucks sector. Fuel prices have already surged to the point where in the medium and light trucks sector the extra cost of a diesel-engined truck, which can travel up to twice as far per gallon as a petrol one, can be recovered in 10,000 miles or less.

Caterpillar, Cummins, GM.

Renault sends this mid-range diesel truck from France to the U.S. in built-up form and it is sold as the Mack Midliner. Renault owns 20 per cent of Mack

Europeans in the U.S.

JOHN GRIFFITHS

Ford and International Harvester are *all belatedly working* overtime to expand their presence in the medium diesel *market.* Diesels had *a 10 per* cent share of the Class 6 and 7 (6.6 to 14 tonnes) market of *about 50,000 vehicles last year.* But sales have risen by 30 per cent over the past 12 months *while the truck market overall* has declined.

In the meantime, various *European makers have seen the* gap and have been making their own efforts to fill it. Daimler-Benz has been selling medium diesels in the U.S. since the early 1970s. *Last year it began assembly* at a 12,000-a-year capacity plant at Hampton Virginia.

Iveco, Fiat's commercial vehicles arm, three years ago set up an import *operation* which has grown quickly. Renault in 1979 acquired a *20 per cent stake in Mack* Trucks. This year, however, the involvements have become much deeper.

In July, Daimler-Benz acquired the Freightliner truck manufacturing interests of Consolidated Freightways. The deal, which cost the German group $260m, gave it a headquarters and two manufacturing plants in Portland, Oregon, four in Indianapolis, a Canadian subsidiary in Vancouver and a components subsidiary.

Freightliner makes and sells 10,000 trucks over 15 tonnes a *year,* representing 9 per cent of the U.S. heavy-truck market. It also has a 210-strong dealer *network.*

Thus D-B, already the biggest maker of over-15-tonne trucks *in the world,* with an annual output of about 60,000, has a foothold in the U.S. market for *trucks from 6.6 tonnes upwards.* And it is now planning to exploit another untapped market *by starting the assembly* at Hampton of 6.5-tonne diesel vans from German-built com*ponents.*

Clearly, the prospect is now raised of rationalised components manufacture for both D-B's European and American truck ranges.

The negotiations for Freightliner was complicated by the fact that the U.S. company had in 1979 taken over responsibility for distributing Volvo heavy trucks in the U.S. At the same time, both D-B and Volvo were showing interest in White, which has about 6 per cent of the heavy truck market and which at the time was under the protection of Chapter 11 of *the U.S.* bankruptcy laws, having lost $51m in the 15 months to March of this year.

Volvo's link with Freightliner was intended to use its distribution network to build up *annual sales of about 3,000* diesel trucks. The recession has held sales down to about 1,000. But Volvo, a classic example of a vertically integrated truckmaker, has a total output of only 30,000 trucks a year, and badly needs extra markets to justify its investment in its own engines, gearboxes and axles.

Thus, when D-B bought Freightliner, Volvo *snapped up* White. For $75m it got White's manufacturing facilities and two lesser-known truck *names,* Autocar and Western Star.

Volvo's imported range can *now be fed into the White sales* network, pending the establishment of Volvo White Truck *Manufacturing* Corp, on which Mr Pier Gyllenhammer, Volvo's managing director, has said Volvo will spend a further $70m. It will make and market medium and heavy diesel trucks under all four brand names with, once again, a rationalisation of components in the pipeline.

Meanwhile, Renault and Iveco are pressing on with their own "invasion."

Renault is co-operating with Mack, in which it has a 20 per cent stake. Mack sold just under 20,000 heavy tru[cks in the] U.S. last year. For M[ack the] *deal with Renault gave* [access] to the medium diesel [market] without having to inc[ur] *development costs,* of [consider]able relevance since it [...] are confined to Mack-[...] *ducts.* The "*Midliner*" [...] concerned, is made in [...] but sold under the Mac[k ...]

A cautious approach [...] taken to building [...] while back-up facilities [...] *in place, but* Mack e[...] sell up to 4,000 this [...] predicts an increase [...] units by 1985, when [...] the sector to have [...] about 100,000 units.

Part of the trade-of[f ...] some Mack vehicles a[re] marketed by Renault i[n ...] In 1981 this set [...] extended to the U[K ...] Renault Truck and Bu[s ...] arrangements to sell 2[...] gross weight vehicles. [There] are no plans, however, [...] in rival vehicles to [...] own tractor units.

Further collaboratio[n ...] *expected for Mack, like*[...] is seeking to establi[sh ...] internationally and h[...] clear its strategic plan [...] so. This involves not [...] export of built-up truc[ks ...] the words of Mr A. W. [...] the chairman, "to add [...] facilities or joint ventu[res ...] facturing companies [...] countries and areas w[...] play greatest growth p[...]

Thus the seeds f[or ...] national co-operation [...] U.S. are already bei[ng ...] The widening interest [...] *Americans in Europe* [...] with in the article a[...]

Further, even, thoug[h ...] operation in the [...] *currently of importd* [...] only, it too holds firm [...] view that co-operatio[n ...] *manufacture of joint* [...] *ents and the setting u*[p ...] venture operations is [...] desirable, but vital for [...]

Though yet to take t[...] in setting up assembly [...] it is fully committed t[o ...] *cept of the "world tr*[uck ...] an example, it recently [...] contract with Rockw[ell ...] *which the latter will* [...] its truck axles. The [...] 100 dealers it has set [...] U.S. last year sold ab[...] diesel trucks and vans [...]

U.S. manufacturers [...] been *predicting that* [...] currency movements [...] pean costs would lead [...] *imports encountering* [...] in the U.S. So far, [...] Giorgio Manina, Iveco [...] *ing director,* "we are [...] mistic about the U.S. [...] company needs a [...] *there.* The situatio[n ...] *U.S. truck market is* [...] difficult. But the ide[a ...] medium and light die[sel ...] is gaining acceptance. [...] with dealers will pay [...] the market improves."

Meanwhile Kloeckn[er-Hum]boldt Deutz, a forme[r ...] in Iveco, is the latest [...] component maker t[o ...] into North America. [...] U.S. diesel engine [...] Richmond, Indiana, it [...] add a $125m facility i[...] to help lift curre[nt ...] engine sales in North [...] of 22,000 to 40,000 by [...]

Many potential benefits from the right formula

..ABORATIVE ventures ..e sound sense in an ..stry like commercial ..icle manufacturing. Eco-..mies of scale, particularly at .. heavy end, are not easily ..ieved and yet full-blooded ..rgers are difficult to accom-..h.

..t is far too early in the life ..the EEC, for example, for .. individual countries to be ..ling to give up "strategic" ..ustries, and many put ..icle manufacturing into this ..egory. Governments do not ..come the possibility that ..trol of a national asset ..ht fall into foreign hands.

..me prime example is the way .. which the West German ..horities encouraged the ..ks to band together to pre-..t the foreign acquisition of ..mler-Benz when it seemed a ..sibility some years ago.

..lowever, the pressure to ..ed up the pace of introduc-.. new vehicles and new tech-..ogy is being increased by ..islation, both national and ..ernational. Inflation is ..ting up the cost of develop-..nt and the industry is short .. design engineers. There is, ..er all, a limit to the ..lustry's resources of cash ..l talent.

..t would probably cost more ..n £50m to design and bring ..ew truck to the market place ..lay, and that would be a ..ck built around an existing ..gine and gearbox. A new ..gine would set a company ..ck about £200m and about ..0m would be needed for a ..w gearbox.

..If the components which go ..o a truck are costly, so is ..e truck. If the fixed costs of ..mponent or vehicle produc-..n can be spread over a large ..tput, they are obviously ..eaper to make.

..The logic of this argument ..s done nothing to convince ..ose European heavy truck ..kers which build all their .. components and assemblies .. house" that they should ..nge their attitude. Daimler-..z, Volvo and Scania all ..ieve that the better way to ..duce a truck is to build and ..ign the important bits your-..f so that they can be perfectly ..tched.

..The multinational truck com-..nent makers reckon that in .. long run, the vertically ..egrated companies will see .. error of their ways. They .. cost pressures will be so ..ere that the truck makers ..l have to leave the engine ..nufacturers to develop new ..gines, the gearbox manufac-..ers to develop new gearboxes ..l so on.

..The truck maker will then use .. capital and particular ..ertise to build a vehicle ..und the proprietary parts.

..Only time will tell whether ..s actually will happen. This ..r both Volvo and Daimler-..z took much stronger posi-..s in the U.S. market and as ..result might get enough ..ume to stay with in-house ..ponents for ever.

..But Iveco, Fiat's commercial ..icle subsidiary, the second-..gest business of its kind in ..rope, is convinced that the ..laborative route is the one to ..e. In June it took another ..hly significant step by agree-.. terms with Rockwell of the .. for a joint company to ..ke truck rear axles.

..According to Rockwell, "well ..r $150m" (more than £80m) ..l have been spent by the ..tners by the time the project ..es on stream in 1983.

..The plan is for a new com-..y, Rockwell CVC-Omevi to .. set up to buy the existing ..co plant at Cameri in Italy ..re buses and coaches are ..le, and convert it to axle pro-..tion.

..Nearly all Iveco's axle output .. be moved to Cameri from ..in, Milan and Bolzano in ..y. The exception is that out-.. at Ulm in West Germany ..l continue.

..Rockwell will start as a ..ority shareholder but by the ..e axle production gets under way, it will have the majority stake.

As with all good deals, both partners feel they have achieved something beneficial. Sig Giorgio Manina, Iveco's managing director, said recently: "To ensure Iveco's growth, we must form alliances with the most important manufacturers of components on a worldwide scale, and Rockwell is number one in the sector of back axles.

"Iveco recognises that component manufacturers — since they concentrate on a well defined and specific product—can best optimise production from the technical viewpoint and achieve economies of scale through the overall standardisation of production.

Joint projects

KENNETH GOODING

"By choosing Rockwell as a partner, Iveco guarantees the full use of its plants and opens the way for an important breakthrough in the field of back-axles."

This "breakthrough" is a reference to the fact that the deal gives Rockwell the chance to introduce on a major scale single-reduction axles to Europe where most truck makers use a different technology—hub reduction, or double reduction.

According to Rockwell, single-reduction axles have less than half the number of wearing parts found in hub reduction axles. This reduces wear, cuts service needs and axle weight, and reduces inventory.

The new company has already spent $3m in research, design and engineering to modify to European standards the axles which Rockwell produces in the U.S., where it is claimed that half the on-road tractive units with double rear axles use them.

Mr Arthur Ronan, executive vice-president of Rockwell's automotive operations and a director of Rockwell CVC Omevi, maintains: "The use of modern manufacturing facilities, sophisticated machinery and advanced production techniques will enable us to produce these axles with maximum cost efficiency and enable us to market them at competitive prices.

"We anticipate a significant number of European vehicle builders will find—as Iveco did—that pricing axles supplied from the Rockwell CVC Omevi facility will compare favourably with the cost and subsequent price of the axle if built in their own facilities."

So the company expects to be turning out 100,000 axles annually for the European, Middle East and North African markets by the end of the 1980s. The current 1,000 workforce at Cameri, 45 kilometres from Milan, will be retained by the joint venture and "may increase as we move into volume production."

Fiat has been Europe's prime exponents of the co-operative venture for many years. Only last month the first light commercial vehicles left the line at the Sevel plant in Southern Italy, set up jointly by Fiat and Citroen (now part of the Peugeot group).

The £150m Sevel facility is claimed to be one of the most modern in Europe and has the capacity to produce 80,000 vehicles a year. Citroen is supplying diesel engines while Fiat is providing body panels from Turin.

But not every joint venture works out. A project between Fiat and Peugeot for car production and distribution in Argentina has been called off within a year of being announced whereas it was supposed to lead to co-operation throughout Latin America.

Another joint project for Fiat, Alfa Romeo and Renault to share the cost of producing diesel engines for light commercials in Foggia, Southern Italy, has been unwound. The engines were designed and the plant is now making them but first Alfa and then Renault sold out to Fiat. Recently Fiat began the process of switching ownership of the company, Sofim, to its commercial vehicle offshoot, Iveco.

In spite of the Sofim experience, Iveco (which is 100 per cent Fiat owned) seems still to be talking to Renault about the joint production of commercial vehicle gearboxes in the future. Iveco is also having talks about "closer collaboration" with Saurer, Switzerland's truck-maker.

Among the failures, we must also count the potential collaborative deal between Dodge Trucks, the commercial vehicle business which Peugeot acquired along with Chrysler's other European assets three years ago, and Daf of Holland.

The talks dragged on for two years before the two companies called it a day. Peugeot opted instead to hand over management control and a half-share in Dodge to Renault, its French neighbour.

Daf's previous attempt at collaboration also failed miserably. International Harvester of the U.S. took a 34 per cent shareholding in the Dutch group and the idea was that they should swap technology and help each other with distribution. This all came to nothing.

The West German groups have a long history of collaboration. Daimler-Benz and MAN, for example, have been sharing diesel engine production facilities and components for years.

MAN joined forces with Volkswagen more recently to begin production of a joint range of commercial vehicles between six and 11 tons—representing the gap between VW's heaviest commercial and the bottom end of the MAN range. The two have also pooled their distribution and marketing resources for commercials in some key countries. This joint venture, according to MAN, is going according to plan.

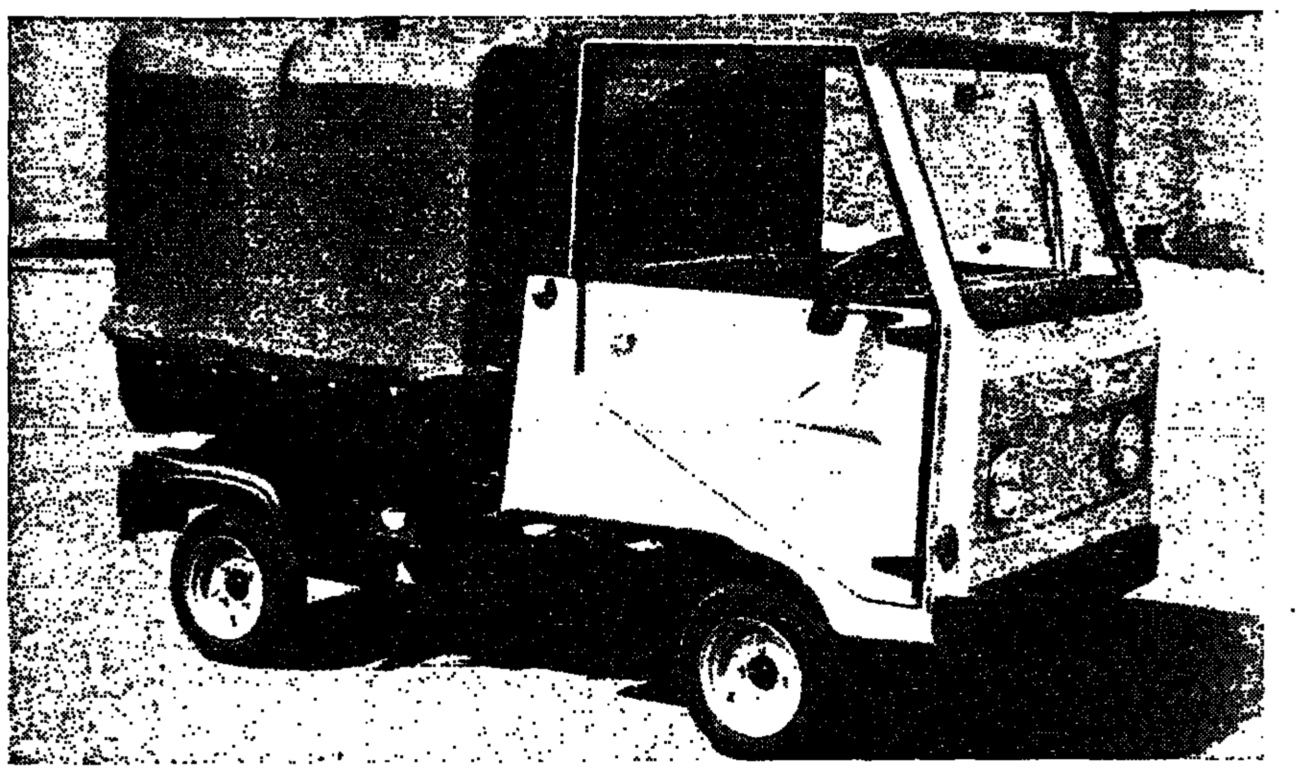
But one arranged about the same time between Daimler-Benz and Steyr-Daimler-Puch of Austria to produce jointly four-wheel-drive vehicles, now known as the G range, has not been going so smoothly.

Sales have not been up to D-B's expectations and it has withdrawn from the venture. Steyr continues to produce the G vehicles, and many will continue to be sold under D-B's Mercedes badge. Steyr also continues to produce buses for D-B, an arrangement which dates back before the G deal.

The recent experience has shown, therefore, that although the benefits of a joint project might potentially be considerable, it takes much time and trouble first to find the formula which suits both partners. Even then, with the proof of the pudding being in the eating, the deal might not live up to the partners' expectations.

..ord spent £125m, mainly at its Langley plant in ..he UK (seen above), to bring its new Cargo truck ..ange to market this year. The range replaces the ..) series vehicles and covers 27 models of six to 28.5 tons

Scania's two latest heavyweights: a forward-control truck for Europe and a bonneted vehicle for the Middle East and Africa. Below: Last month the first light commercials left the line at the Sevel plant in Southern Italy set up jointly by Fiat and Citroen. The £150m Sevel facility can produce up to 80,000 vehicles a year. The photo shows the Fiat version, called the Ducato, fitted out as a mini-bus



Left: This is an example of what can be done with lightweight materials. The French company ERAD used its expertise in thermo-plastic moulding to produce this light commercial with a carrying capacity of 8.5 It has a claimed top speed of 45 mph from the 125 cc two-stroke engine and returns up to 80 mpg. Centre: Motor Panels of the UK produced this Hemi-Tech truck cab which is claimed to be the first pressed and welded aluminium cab to be produced in Europe. It combines the corrosion resistance and weight saving of fibre glass and acrylic materials and it is claimed that the weight saved by producing the cab shell in alumin rather than steel is about two thirds. Right: ERF reckons to have saved the weight of a baby elephant in each of its new lightweight models on display this week at the Scottish show. Weightsaving is gained from he lighter components which retain the stress-bearing qualities of heavier materials, like this chassis which is built of drawn-steel members, the vertical section of which is of a thinner gauge

Changing world conditions pose problems for designers

ALL THE extra money and esffort poured into research *and development since the oil* crisis of the mid-1970s is beginning to produce more fuel-efficient engines and new injectors. carburetters and electronic sensing devices. A wide range of equipment is becoming available.

Researchers and designers face a many-sided problem in *coming to terms with changed* world conditions. It is not just a matter of making diesel or petrol engines more efficient. Although attention tends to be concentrated on this aspect. it is also a question of "what fuel?"

Alcohol fuels derived from some indigenous source such as sugar cane in Brazil are being used more. *especially* in Australia and New Zealand where gasolines contain 15 per cent alcohol. Vegetable oils from sunflowers, peanuts, even *eucalyptus* trees are other possibilities. European manufacurers occupied with converting cars and light commercial vehicles to diesel and are experimenting with fuel sugar beet and methanol from coal.

Great quantities of potential fuel *are being flared off in the North Sea and other oilfields,* and in some petrochemical processes. This represetns a huge source if it can be utilised. Liquefied petroleum gas (LPG) is gaining adherents in the UK, where about 30,000 vehicles run on it—though still not many compared with around 500,000 in the Netherlands.

In Britain, LPG costs about 85p a gallon compared with between 160p and 170p for petrol or derv. About 15 per cent more fuel is used but conversion costs of about £350 can be paid for in six or seven months. LPG is not yet widely available on forecourts so most people use it as a limited alternative, sacrificing some room for a dual fuel system.

In some countries like South Africa fuel is being extracted from coal. There are certainly plenty of fuels to choose from. A pattern is already beginning to emerge, however, with the predominance of alcohol in Brazil, coal-oil in South Africa and diesel in Europe.

Building engines to match these trends poses technical problems. For international companies-such as the UK-based Perkins Engines, which sells diesel, petrol and LPG units into 160 countries and has a manufacturing plant in Brazil, the problems are acute. because its engines are expected to last at least 10 years.

Perkins invests £7m a year on research and development. Mr Tony Downes, director of engineering, spends a third of his time dealing with fuels which, though they will never be needed in Europe, are beginning to figure prominently in export markets.

Without such a comprehensive programme, exporting from Europe to Mexico or Brazil could stop.

The rate at which changes in types of fuel will occur depends in the meduim term on demand and in the longer term on legislation. This is already having an important influence on eingine design, especially the ability to use a wide range of fuels in the same basic engine.

Engine makers are concentrating on their most immediate and biggest-volume markets. Although, about 60 miles a gallon is the target for petrol engines of one litre, some of which power light commercial vehicles, the broad movement is towards all commercial vehicles running on diesel. In much of Europe, the heavier end of the market already runs on derv.

Because diesel delivery and light trucks can achieve consumption figures up to 50 per cent better than petrol in urban

Fuel economy

PETER CARTWRIGHT

conditions, the swing to them has been substantial. Their inherent benefits are being further enhanced by turbo charging.

Lucas CAV of Britain, which supplies pumps and injectors to most diesel engine makers, has developed a special version of its microjector in combination with rotary pumps for General Motors' Oldsmobile car diesels which has implications for the commercial vehicle sector.

Injection timing has been given special attention, with a servo unit advancing timing with increasing engine speed. *With a light load advance* device. this ensures that the point of injection is always at the optimum for minimum emisisons. A vacuum regulator valve, operated from the accelerator shaft on the pump, controls the amount of exhaust gas recirculation for more accurate control of emissions.

This power unit lessens the difference between diesel and petrol operation further and the accurate fuelling standards will benefit truck engine makers *further.*

Lucas CAV is putting a lot of emphasis on development of electronic devices because of their ability to monitor a *multitude of engine parameters* and compensate for mechanical wear. Within five years it is probable that this company and others. including engine builders, will be offering full engine management systems which are not expected to add to the cost of the final product in volume production.

Electronic control of timing and metering is essential because of the need to run on the same fuel system where sunflower, corn or gas oil is used. Automatic controls will also eliminate the wide discrepancies in consumption resulting from the way in which different people drive.

While an increasing market is seen for diesel cars and car-derived light commercial vehicles, other companies like Solex Carburettor of Britain see *many more people turning to* LPG because it is less expensive.

Handling LPG involves a different form of metering. An *advanced system from Solex is* undergoing testing before being introduced in 1983. It is a single point low pressure injection system with two separate meter-suitable for LPG or petrol, or both.

As a metering system for petrol, it is designed to replace the conventional carburettor and ing devices, which makes it so is an intermediate stage between carburation and direct injection.

At the moment the gas control unit feeds through a mixer unit adapted to the existing carburettor. The new system provides the same kind of control as a conventional carburettor system, aided by sensors which monitor load demands and determine the amount of gas fuel to mix with air.

As Shell points out in its fleet operators' guide to better economy, much can be achieved with ordinary common sense and restraint—for example. engine speeds in the mid range to *achieve optimum torque* and power, and avoiding sudden acceleration or braking. Just changing from cross-ply to radial tyres, which have a lower rolling resistance, can improve fuel saving by up to 10 per cent, as can regular maintencent, as can regular maintenance.

Another way of achieving beter fuel economy is matching the drive train to the engine characteristics. All the main truck builders are involved in this. Under normal operation the gear ratios ensure that the engine is ing at optimum level.

Lightweight materia as plastics and light al able heavier loads to be for the same fuel cons Leyland Vehicles, at request, is providing s weight tankers aluminium wheels. casings, and fuel tanks. weight reductions ha achieved by lightwei screens, transverse systems and fifth Altogether savings half a tonne have bee

With several differe likely to be in use in th there will be a need existing materials or ones. Alcohol, for attacks some con materials. For this an reasons. it is likely tha will make a consider pact over the next de

Meanwhile, ceram waiting in the wing suitable compositions could open the way f sulated combustion which would re-use t now ejected. So engine also be quieter.

FOREIGN AFFAIRS

The spells on the White House

By Ian Davidson

[...]ERE DEFENCE strategy is [...]cerned, it would seem that [...] top men in the Reagan [...]ministration are bewitched: [...]never one of them opens [...] mouth, two frogs jump out. [...]w these are talking frogs; [...] they speak different lines. [...] first frog takes a pretty [...]tter-of-fact view of nuclear [...] and speculates casually on [...]w America would conduct it [...] push came to shove; the [...]ond frog is all at sea, and [...]s he has no idea what would [...]pen in a nuclear war.

[...]resident Reagan muses with [...]e out-of-town editors about [...] possibility of a nuclear war [...]t might be limited to Europe, [...] then goes on to say that [...] does not know if escalation [...]ld be controlled. General [...]xander Haig, the Secretary [...] State, says that President [...]agan's formulation of U.S. [...]lear *doctrine* is "precisely [...]ht"; Mr Caspar Weinberger, [...]retary of Defence, says that [...] has no idea how many strikes [...]ht be possible in a nuclear [...]hange.

[...]he trouble with the frogs is [...]t each of them is speaking [...] truth: it is possible to [...]agine a nuclear exchange [...]ich stopped short of the des[...]ction of civilisation, and it [...] impossible to know that it [...]uld be stopped.

[...]ow it is one of the charac[...]istics of nuclear strategic [...]nking that it is hedged at [...]ry turn with ambiguities and [...]certainties on both sides of [...] looking-glass. Indeed, one of [...] justifications often advanced [...] the British nuclear deter[...]t is that the establishment [...] a second "centre of decision" [...] the Allied side increases [...]viet uncertainties over [...]ssible allied responses to [...]gression.

But the name of the game is [...]sing uncertainty (and thus [...]terrence) to potential [...]emies, without causing panic [...]ong your friends. I do not [...]ow what effect Mr Reagan [...]d his colleagues are having [...] the Russians, but by golly [...]y seem to be frightening a [...]wing number of Europeans. The first frog frightens those [...]o persuade themselves that [...]ere is a deep American plot [...] fight a nuclear war limited [...] Europe; the second frog [...]ghtens those who wonder [...]ether the Americans have [...] idea what they are about. [...] balance, it would seem that the second gives more plausible ground for concern, but either way the Americans must try to stop the croaking of the frogs.

Unfortunately, this is not the only spell bedevilling American nuclear strategy: they are also bewitched by the options spell and the numbers spell. The options spell makes them add ceaselessly to their stock of targeting choices, while the numbers spell never lets them stop counting missiles, and throw-weight, and re-entry vehicles, at every level, on our side and on the other side.

Now the options spell comes disguised as the "flexible response" fairy - godmother, who has built an endless ladder of deterrence to prevent any Soviet aggression. But in the process of spinning gossamer webs of targeting options, the Americans find themselves forced to think as if nuclear *war could* be controlled, and the croaking of the frogs makes it sound as if, in their minds, they were already wandering about on the unthinkable side of the looking-glass.

If there is no plausible basis for supposing that nuclear war could be controlled, then these multitudes of targeting options look more than a little fragile. The horrific nature of nuclear weapons seems on *a priori* grounds, hard to reconcile with any image of cool and measured decision-making; and a recent Adelphi Paper by Dr Desmond Ball shows that, on technical grounds, the methods of command and control would inevitably be vulnerable to attack early on in any nuclear exchange.

The numbers spell lies at the heart of the controversy over the plan to modernise the long-range theatre nuclear forces (TNF) in Europe—the ground-launched cruise missiles (GLCM) and the Pershing IIs. It is one thing to replace old Pershing Is with new Pershing IIs because the old are becoming obsolete; but the case for putting in new GLCMs just because the Russians are putting in new SS-20s is more intellectually questionable.

Professor Michael Howard places the whole exercise in the same category of absurdity as the fantasy of the multilingual multilateral nuclear force which haunted the alliance during the 1960s.

Each of them is speaking the truth: Secretary of State General Alexander Haig (left), President Ronald Reagan and Defence Secretary Mr Caspar Weinberger (right).

However, the nuclear disarmers in Europe are even more irrational in focusing their protests primarily on these theatre nuclear forces. To the extent that the SS-20s and the Pershing IIs represent a quantum addition to the arms race, they can both be criticised for threatening nuclear stability. But if the European end of Nato is excessively dependent on nuclear weapons, the primary blame for this lies with the nations of Europe, which have for decades refused to provide themselves with an adequate balance of conventional forces to meet a putative Soviet aggression.

Initially, of course, they imagined they could make good the short-fall by persuading the Americans to install tactical nuclear weapons; but quite soon the Russians acquired similar weapons, and the problem of the conventional imbalance remained unresolved.

It is not therefore surprising that more and more strategic experts are talking about the need to do something about the conventional balance—Professor Howard is one such voice, and the International Institute for Strategic Studies is another. Dr Lawrence Freedman, of the Royal Institute of International Affairs, also goes on to say that Nato should, in its own interest, unilaterally prohibit battlefield nuclear weapons from forward positions in western Europe.

In this context, the still-secret Nato decision to remove nuclear land-mines from Germany, and replace nuclear Nike-Hercules anti-aircraft missiles with conventional Patriot missiles, as part of the on-going review of TNF, is obviously a step in the right direction.

Historically, such an argument has always met the rejoinder that conventional defence is far too expensive to be increased. But it seems certain that this problem cannot be disposed of so easily. On the one hand, the nuclear protest movement is not likely to go away in the foreseeable future: it will certainly not go away just because the Americans and the Russians are due to start negotiations on the TNF question at the end of this month.

On the other hand, unless the governments of western Europe start some radical rethinking of the way their conventional defence effort is put together, they risk seeing it shrink before their very eyes, in the twin squeeze of inflation and drum-tight government budgets. The British Government has just gone through a defence pruning exercise, but it is quite likely to have to face another within a year or so, as Defence Ministry costs come up against Treasury cash limits. It is said that, if you stand in Whitehall on a still day, you can already hear the sound of heavy breathing from the Defence Ministry mausoleum.

Some people would suggest that, before we go into our next defence review, the British Government might consider the desirability of consulting our allies first, and especially our allies in Europe. Undoubtedly, the continuing defence controversy will prompt "good Europeans" to revive notions of closer European integration in the defence field, though at the present time the very idea is enough to provoke a shriek from Whitehall, that now is *not* the moment to de-couple from the Americans.

Americans tirelessly recommend that at least part of the answer to the political problem in Europe is "education," but I fear that this is by definition a no-win remedy. For education can mean one of two things: drawing attention to the old information, or providing new. The American preference for banging on about the scale of the Russian threat does not seem to be winning the argument. Lord Carrington's preference for restating the thesis that deterrence has worked up to now, has it not? so we had better stick to it, seems intellectually inadequate. It implies that the objective conditions have remained static; whereas we know that the weapons have changed, the technology has changed, and doctrine has evolved rather a long way in the past 30 years.

But this means providing a lot more information than has ever been provided before. By unthinkingly releasing tantalising gobbits about some aspects of the doctrine of flexible response, the Americans have opened a Pandora's Box; some people in Whitehall would argue that, since the box cannot now be closed, it would be better to open it a lot more. The trouble is that opening *could only strengthen the fears* of those who accuse the Americans of developing a nuclear war-fighting strategy. Apart from recurrent gaffes from the men with the frogs, it seems more likely that U.S. policy will be to shut up about their doctrine.

But when Mr John Nott tells the Commons whether the UK is now going for Trident II, sticking with Trident I, sticking a bit longer with Polaris, or some other option, he will hardly be able to stay silent on the central questions of British doctrine. In the first place, he can no longer fudge the question whether this will be a national or Nato-assigned system; and if it is to be Trident II, he will have to explain the rationale for adding to the arms race with a silo-busting system which can have no plausible role in a limited national deterrent.

For the Americans, there are only three ways to get on the right side of the propaganda war. They can get Nato to adopt a no-first-use declaratory doctrine — but that means significantly stronger conventional defence; they can try to develop a policy framework of peaceful coexistence with the Soviet Union—but that seems wholly out of character with the gut reactions in Washington; or they can make visible progress towards some meaningful arms control agreements with Moscow. An awful lot is hanging on the TNF talks this month, and resumed Salt talks next spring.

Lombard

The line-up in the EMS debate

By Samuel Brittan

A BRIEFING session for the Prime Minister and a few other economic ministers was planned many weeks ago on the subject of the European Monetary System (EMS) and postponed because of timetable problems, until tomorrow. Now it has had to be put off again.

This much-postponed teach-in does, however, throw light on a much wider debate on the role of the exchange rate in monetary policy. Hardly any top economic adviser believes that the exchange rate can be disregarded in forming policy in current circumstances. The practical difference is between those who see the sterling rate as a useful indicator for monetary policy, while the normal measures of the money supply are confused by the aftermath of the Civil Service dispute and many other distortions, and those who go further and who would make the achievement of a specific exchange rate a main policy objective in its own right.

Nearly all the Whitehall economic advice comes into the first category: the use of the exchange rate as a short-term indicator. On this subject there is little distinction between those who advise the Prime Minister and those who advise the Chancellor.

The common belief is that the sharp rise in sterling in 1980 was a sign that monetary policy was very tight, in spite of the misleading signals given by Sterling M3. Since then, the trade-weighted sterling average has come down to roughly what it was at the time of the 1979 election. A further fall would be regarded as a sign that counter-inflationary policy was off course. The four point rise in short-term interest rates this autumn was mainly designed to prevent sterling from falling to still lower levels.

In Whitehall, if not always in the Bank of England, official intervention in the foreign exchange market is regarded as at best a temporary aid. The main weapon for influencing the exchange rate is seen as domestic financial policy—which means under the present set up, mainly interest rates.

On the other side of the fence there are those who would elevate the exchange rate to a major policy objective. The best known school of thought is of course the "join the EMS" one, which is attracting an unlikely coalition of supporters. The Foreign Office is in favour because "E" stands for European. The vocal pro-EMS school for the Bank of England is headed by those who have always disliked floating exchange rates, and who see the EMS as the best way to achieve their ideal of "fixed but adjustable" exchange rates. Mr Nigel Lawson, the Energy Secretary, is in favour of joining the EMS as the best way of maintaining monetary and fiscal restraints in the face of strong political pressures for more deficit spending. He puts the emphasis, as did the Giscard-Barre Government in France, on the fixed rather than the adjustable aspect of the System, as a force impelling other countries towards the German inflation rate. (No doubt Mr Lawson is advised on all this by Sir Denis Rooke).

Even "conviction Prime Ministers" are however human and Mr Heath's advocacy of the EMS has not helped to sell the idea to Mrs. Thatcher. Some talk can therefore be heard of fixing the exchange rate not against the EMS, but against the world. In other words, the Bank would be obliged to maintain the trade-weighted average within a stated band—a system which Australia maintained for some time. A more sophisticated version, on which some official research has been done, would be to vary the target band according to whether the Government was aiming at a higher or lower inflation rate than the international average.

My own opinion is that if politicians cannot be persuaded by rational argument, or fear of the domestic consequences of rapidly rising prices, to maintain a counter-inflationary medium-term strategy, they cannot be tricked into doing so by any clever exchange rate arrangement. The Giscard idea of the EMS as a fixed rate block against the mark died with the Giscard regime itself, as was shown by the recent realignment within the system.

Letters to the Editor

[...]olicy and priority in the battle against inflation

[...]m Mr D. Townsend

[...]ir,—Despite the mounting [...]ssure on the Prime Minister [...] cut and run, in the direction [...] the printing press, I believe [...]t she is absolutely right to [...]tinue to give maximum [...]ority to the battle against in[...]ion.

[...]he impeccable rectitude of [...] Government's central policy [...]ective is, however, in stark [...]trast to the gross ineptitude [...]he means being employed to [...]ct its accomplishment. The [...]while implication that direct [...]ernment action on incomes [...] unnecessary, because mone[...]sm would magically rein [...]k inflationary pay increases, [...] clearly no longer believed, [...]n by the arch-apostles of the [...] Nevertheless the Govern[...]t steadfastly refuses to [...]ly admit to the need for [...] form of incomes policy, [...]pite the unavoidable infer[...]e that the wage-price spiral [...] prime cause of inflation.

[...] indeed excessive pay [...]rds are a significant progenitor of inflation, is not the current economic situation now sufficiently serious to warrant the introduction of the obvious means by which such increases could be brought under effective control? I suggest that this could be achieved by the imposition of an inflation neutralisation levy on all employees.

The levy would be calculated on the basis of a common variable monthly percentage, authorised by Parliament, which would be pitched at a level calculated to neutralise the inflationary element contained in the total amount of pay increases awarded during the period to date. The percentage would be adjusted each month throughout the pay-round, in line with the amount of inflationary pay awarded so far. The money deducted from employees' gross pay would simply be retained by the employer as an offset to his costs. At the end of each pay-round all actual rates of pay would be abated in line with the currently prevailing rate of the levy, and income tax refunded to employees in recognition of tax paid on the inflationary content of their earnings during the year.

Such a technique would, of course, be initially condemned by many, but dispassionate analysis would show that the real purchasing power of incomes would be unaffected; 12 months erosion of purchasing power between annual pay settlements would simply be exchanged for 12 months of erosion via the neutralisation levy.

The rapidly arising benefits resulting from the implementation of this policy which would be administratively simple and have equal applicability to both the private and public sectors, would include price stability, without market interference, lower interest rates, free operation of wage bargaining, the stimulation of exports, genuine productivity deals and higher investment.

D. A. Townsend.
11, Janmead,
Hutton, Essex.

[...]e level of investment in small businesses

[...] Mr E. Chalker.

[...] your report on [...] of the CBI conclu[...]s on gearing in small busi[...]ses is correct, the CBI [...] to share the compla[...] that is evident in other [...]ters.

[...] is irrelevant to refer to [...]draft facilities when con[...]ring the level of investment [...] small businesses. The banks [...] always quick to point out [...] such facilities should not [...]sed for permanent invest[...] but merely for short [...] working capital. Such a [...]tion is reinforced by the [...] that appear from time [...] of businesses whose [...] facilities have been [...] at short notice.

[...] for a small business [...] an overdraft facility [...] significance without [...] to provide either [...] on the whole of [...] of the business, or [...] guarantees by the [...] or both.

[...] your report [...]her newspaper carried a [...]t of a businessman who [...]not only lost his home as [...]ult of a personal guarantee [...]had even lost the right to [...] rehousing, because he [...] effectively, "rendered him[...] homeless." In another [...]ance, a small businessman [...]wn to the writer has had to spend a small fortune in legal fees to retain ownership of his business following a debenture default, notwithstanding the fact that adequate personal finance was available to meet the obligation to the bank.

In large businesses when the money runs out, jobs may be lost. In small businesses it is not just jobs but all personal wealth and, in many cases, all hope for the future. Is it surprising, therefore, that small businessmen adopt a conservative approach to investment, being more alive to the very real consequences of failure than to the somewhat more questionable consequences of "success"?

E. R. Chalker.
TCS Computer Bureau,
5-7 Albemarle Road,
Beckenham, Kent.

Management education in Scotland

From Professor M. Dryden.

Sir,—Proposals have recently been made for the setting up of a Harvard-type business school in Scotland. No doubt many academics — including myself — would readily accept criticism of the existing arrangements and the inadequacy of provision of management education in Scotland (shortly to become even more inadequate when the Government's decisions to cut universities' grants are carried out). Press reports suggest that this proposal is the basis for improved economic performance of the Scottish economy.

Even if Harvard was the right model for management education in Scotland, the relationship between the quality of management education and national economic performance is much more complicated than has been suggested. MBA graduates in U.S. alone run at around 65,000 (annually) — so far without any marked evidence to render U.S. recession-proof far less growth oriented. The proposal for setting up a Harvard-type institution as a means to the generation of more and better entrepreneur-ship and a more dynamic attitude towards risk-taking is again questionable. The output of Harvard Business School in this respect is relatively small. Indeed recent studies (undertaken by Harvard Business School professors) even go so far as to suggest that an MBA training of the Harvard kind reduces the capacity for risk-taking.

(Professor) Myles M. Dryden.
Department of Management Studies, University of Glasgow,
Adam Smith Building,
Glasgow.

Internal attitudes at Phillips

Sir,—Your report, "Why Phillips adjusted its timing in the dash for oil" (November 2) was a source of both interest and consternation to those of us responsible for the attitude survey to which it referred. The general theme that after a spectacular expansion it was now necessary to give increased attention to personnel issues was of course correct.

But there will be few if any Phillips' employees who recognise an environment in which "basic personnel issues were ignored—morale was low—U.S. managers were popping their heads round doors and looking at their watches—management too busy . . . to worry about what the workforce thought" and all of this is far removed from the findings of our survey. It is in any case hard to square this picture with the company's decision to involve employees in identifying priorities for the future — the main purpose of that survey. A company which has carried out such a comprehensive survey has surely demonstrated its commitent to a progressive employee relations policy — therefore its actions should be applauded and not ridiculed.

The significant findings included: the need for more face to face, rather than written, communication; a positive concern for being involved in matters affecting career development; and the desire for more thorough performance appraisal. Some 60 per cent assessed the company as being "one of the best" or "a better than average" employer, and given a choice of adjectives to describe the style they most favoured were "progressive" and "efficient."

The concern for restroom facilities and more flexible hours were certainly present but had much less of the emphasis suggested by your report. Obviously part of the folklore of such a company is the difference between the norms of the parent company and those of central London. Certainly many staff were aware of this but equally important was their appreciation of the open, friendly, but purposeful attitudes of their U.S. colleagues.

Unskilled labour doing routine jobs may be satisfied with good pay and working conditions. A highly skilled workforce in an expanding and potentially exciting business will by definition be that much more demanding in their expectations.

Duncan H. Wood,
Binder Hamlyn Fry and Co.,
2 St. Bride Street, EC4.

UK COMPANY NEWS

Exco comes to market with £59m value

Exco International, the holding company for two of the most powerful money broking firms in the City, the Astley and Pearce and Godsell groups, is coming to the market through an offer for sale of 14.5m ordinary 10p shares at 140p each, payable in full on application.

The group, which is thereby valued on the Stock Exchange at £59.5m made pre-tax profits of just over £5m in the six months to June 30 last against almost £6m in the previous calendar year. The board, headed by Mr Hilton Clarke, estimates that Exco produced profits of £10.1m pre-tax, on a proforma basis, in the financial year ended June last, after adjusting for the elimination of loan stock interest on conversion to ordinary shares, the inclusion of the Godsell Group minority interests and the contribution of a 36 per cent (formerly 30 per cent) stake in NAP Holdings USA—which holds a large minority stake in one of New York's largest money brokers.

On the pro forma profits estimate, therefore, Exco is floating on an historic p/e of 14.1 and a gross yield of 4.6 per cent on the basis that the board would have recommended a total dividend of 4.5p per share for the last financial year.

Exco's two major money broking arms retain distinct businesses in London and trade from separate premises. In London, the group derives 37 per cent of its operating profit from foreign exchange, 48 per cent from foreign currency deposit and certificate of deposit business and 15 per cent from sterling interbank and local authority business. Astley and Pearce has a leading role in the U.S. dollar/yen market and Godsell is said to be particularly strong in the U.S. dollar/sterling market.

The group also has subsidiaries in Zurich, Copenhagen and Luxembourg; the U.S. affiliate has minority stakes in one of Frankfurt's leading foreign exchange brokers. The group also has a significant presence in the Far East through well established subsidiaries in Singapore, Hong Kong and Tokyo.

The broker also has a stake in Noonans through its NAP Holdings associate. Noonans is said to be one of the dominant forces in the North American foreign exchange markets. The other mainstream activities take in a bullion broking operation—the 55 per cent owned Zurich-based Astley and Pearce Metall—which was set up in June last year, and a fifth stake in Guinness Peat Aval, which deals as a principal in the *à forfait* paper and Eurobond markets.

Exco, through NAPH, has an effective 36 per cent holding in Telerate for which the London money broker will subscribe $14.1m next January as its share of the $75m acquisition cost to NAPH. Operating an international information service providing financial data on the foreign exchange, commodity and money markets, Telerate made pre-tax profits of $13.66m against $7.49m in the year ended September 30 last. The remaining interests in NAPH, which holds 89.6 per cent of Telerate, are Guinness Peat, British and Commonwealth Shipping, Cayzer, Gartmore and its associates and key staff in New York.

The board, which had formed Exco two years ago to buy the controlling interest in Astley and Pearce from the discount house, Gerrard and National, cite the raising of funds for the group's development and to enable some existing shareholders to dispose of part of their shareholdings as reasons for the offer for sale.

Exco will receive £10.5m net of expenses, of which it has committed around £7.5m for the subscription of new capital in NAPH in connection of the Telerate acquisition. Some £600,000 will be applied to increasing Exco's stake in the Danish subsidiary and £1m will be used to repay borrowings.

Following the sale, which is handled by N. M. Rothschild and Sons, executive directors will own 27 per cent of the equity and have undertaken not to sell for a year. Other employees will take a 15 per cent interest, a further 18 per cent will be held by Cayzer, Gartmore, 9 per cent by trusts in the Save and Prosper Group while the public are offered the remaining 31 per cent.

Broker to the issue is Grieveson, Grant and the application lists open on November 12.

TVS forecasts £3.65m loss this year

Television South (TVS) will be raising almost £3.4m later this month before it begins the programme contract awarded by the Independent Broadcasting Authority for the South and South East of England.

The contract begins in the New Year and Television South is coming to the Unlisted Securities Market through an offer for subscription by merchant banking group, Henry Ansbacher, on November 12.

The issue will comprise 6.03m ordinary non-voting shares of 10p and £1.88m subordinated unsecured loan stock dated 1986/88 which will carry a coupon of 14 per cent until October 31, 1984 and 20 per cent for the following four years.

TVS is taking over the contract currently held by Southern Television, but the programming area will be extended by the addition of two television transmitters—Bluebell Hill in North-East Kent and Pembury, near Tunbridge Wells—from London to form a new dual centre region, covering 7,000 sq miles, which will extend from Weymouth in the West to the North Foreland in the East and ranging across from Oxfordshire to Maldon in Essex.

Southern made pre-tax profits of £7.1m in the year to October 1980 but the board of TVS, headed by Lord Boston of Faversham, points out that the new contractor has no trading record so far and it would be inappropriate to base earnings projections on Southern's past trading experience. Moreover, the new Channel Four and Breakfast Television services are expected to begin in November next year and May 1983 respectively and these are expected to affect the trading results of TVS.

Heavy revenue costs for the current calendar year, principally the building of a new studio complex at Maidstone and the conversion of a cinema in Gillingham as a television theatre, will not be offset by income and TVS expects to show a loss of £3.65m before taxation.

It is tentatively assuming that profits will reach £3.2m in 1982, before falling to £2.49m in the following year when it will be paying substantial Channel 4 subscriptions. Pre-tax profits are expected to reach £5.57m in 1984 and achieve £7.1m in the year after that.

The board, however, accompany these projections with a detailed list of bases and assumptions which take in forecasts of inflation, revenue expenses, the IBA annual rental and the calculation of IBA levy. The principal assumption is that National Advertising Revenue will be £585m in 1981, going up to £644m next year, rising by 2 per cent in real terms in 1983 and increasing 4 per cent each year subsequently. The TVS share of NAR is expected to be 9.2 per cent.

TVS does not expect to be in a position to pay dividends until 1983 "at the earliest." The application to the IBS, moreover, specified that the group's dividend policy would be to distribute not more than 50 per cent of net profits after taxation.

The group's major shareholders, which have backed TVS from the outset and provided temporary unsecured loans, are European Ferries, which will hold 19.7 per cent of the shares following the offer, London Trust, 10.7 per cent, Friends Provident Life Office, 6.2 per cent, British Car Auction, 4.9 per cent and Industrial and Commercial Finance Corporation, 7.4 per cent. Each have agreed to transfer the proceeds of temporary loan repayments towards their subscription of £3.1m loan stock.

Broker to the issue is Capel-Cure Myers.

● comment

Investors in a new independent television contractor hand over their money on the assumption that well within the franchise period the company will have turned into a reliable generator of cash. The snag is that start-up costs are high, and may not be recouped for a couple of years. Under current legislation, that makes it impossible to pay a dividend to ordinary shareholders; inevitably, the company begins its life with negative distributable reserves. Television South has found an interesting way of sweetening the pure venture-capital proposition, which might otherwise frighten off, the small local investors whom it promised to Lady Plowden. The trick is to offer the initially non-yielding shares together with an unsecured loan stock. At the issue of £9 per bundle the effective yield is 7.8 per cent. Extra spice is added by a jump in the loan stock coupon, which goes up to 20 per cent in November 1984. At the (highly notional) issue price of £90½, the redemption yield on the stock is 19 per cent, but its major attraction is presumably the chance of some early capital appreciation. Because the stock issue is so small, however, it may not prove particularly marketable when the time comes.

Malaysian tin results

LOWER profits for the year to June 30 are reported by Ayer Hitam Tin Dredging, one of Malaysia's leading tin producers. Pre-tax profits have dropped to M$5.55m (£1.3m) against M$18.87m in the previous year.

Thanks to a greatly reduced tax charge, arising from amendments to tax legislation such as a revised basis of computing capital allowances, the net profit came out at M$5m against $M7.56m.

A final dividend is declared of 75 sen (17.6p) less income tax at 40 per cent. This makes a total of 135 sen, compared with 205 sen.

Ayer Hitam has been hit by lower production and metal prices together with increased costs, the last-named being mainly in higher power and labour charges.

Another tin producer, Tongkah Harbour Tin Dredging received a slightly higher tin price in the year to June 30 but suffered a sharp contraction in tin concentrate production following the sale of its mining assets in Thailand to an associated company in which a stake of 30 per cent is held.

Thus mining income has fallen while interest receivable has increased and there is also an extraordinary profit of M$4.6m—mostly on the tin assets' sale—to be taken into account.

This left the company with a net profit of M$5.62m, compared with only M$740,000 for 1979-80. A final dividend of 25 sen is declared.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetable.

TODAY

Interims.—Cullen's Stores, Electrocomponents, Futura, London and Midland Industrials, Outwich Investment Trust, RIT, Seccombe Marshall and Campion, Wettern Brothers.

Finals:—C H Beazer, Drayton Consolidated Trust, Lucas Industries, Murray Clydesdale Investment Trust, Scottish National Trust.

FUTURE DATES

Interims:—

Acrow	Nov 17
Allnatt London Properties	Nov 12
Kwik-Fit (Tyres and Exhausts)	Nov 10
Somic	Nov 17
Tanks Consolidated Investments	Nov 16

Finals:—

Anglo Scottish Investment Trust	Nov 12
MEPC	Dec 1

C. MORAN

Mr Clement Claude Vertue has been appointed to the board of Christopher Moran Group.

SPAIN

1981 High	1981 Low		Nov 6 Price %
358	251	Banco Bilbao	330
395	280	Banco Central	325
436	223	Banco Exterior	310
346	239	Banco Hispano	316
128	117	Banco Ind Cat.	117
410	284	Banco Santander	382
249	148	Banco Urquijo	216
404	263	Banco Vizcaya	349
286	204	Banco Zaragoza	220
223	82	Dragados	154
81	45	Espanola Zinc	70
74.2	55.5	Fecsa	70.2
65	22	Gal. Preciados	32
88	63.5	Hidrola	82.5
62.5	52	Iberduero	59.5
128.7	70	Petroleos	101
85	70	*Petroliber*	82
102	51	Sogefisa	51
90	60	Telefonica	78
62.5	60	Union Elect.	76.5

GUARDIAN INV. TRUST

After-tax revenue of the Guardian Investment Trust improved slightly from £1.37m to £1.42m for the half-year to September 30, 1981, while gross income rose from £2.16m to £2.29m. Tax took £741,242 (£682,125). The interim dividend is held at 1.5p net per 25p share, costing £756,000 (same) — last year the total payment was 4.7p.

At the half-year, net asset value per share, after deducting prior charges at par, was 141.3p (147.7p at March 31 1981).

FT Share Information

The following security has been added to the Share Information Service:

United Mexican States 16¼ per cent Loan Stock 2008 (Section: Int. Bank and O'seas Govt. Sterling Issues).

FT INTERNATIONAL BOND SERVICE

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Anheuser-Busch 16½ 86	100	100	100½	−0⅛	+1⅛	16.43
APS Fin. Co. 17¾ 86	60	104⅛	104⅝	+0⅛	+3¼	15.85
Br. Colum. Hyd. 16⅛ 88	100	101	101½	0	+1⅛	15.94
Br. Colum. Mfi. 17 97	54	103	103½	0	+1⅛	16.41
CIBC 15¼ 86	75	98⅞	99⅜	+0⅛	+3	15.45
CIBC 16⅛ 91	100	101½	102	+0⅛	+3	16.37
Chicago Int. Fin. 15 86	150	98⅛	98⅝	+0⅛	+2½	15.44
Citicorp O/S 15½ 84	175	101½	102	−0⅛	+1½	14.53
Citicorp O/S 16⅛ 86	150	102⅜	102⅞	+0⅛	+2⅛	15.92
Cities Service 17 88	150	105	105½	+0⅛	+2½	15.66
Con. Illinois 14⅛ 84	100	97⅞	98⅜	+0½	+2⅛	15.61
CPC Fin. 16⅛ 86	50	104⅝	105⅛	0	+2½	15.22
EEC 14⅜ 91	65	92⅞	93⅜	0	+2⅛	16.10
EIB 16½ 88	100	100⅝	101⅛	−0⅛	+1⅛	16.24
EIB 16⅜ 91	100	100⅞	101⅜	0	+2⅛	16.51
Finland Rep. of 9½ 86	100	79⅜	80⅛	+0⅛	+1⅛	16.24
Ford Cr. O/S Fin. 16 87	150	97	97½	−0⅛	+0½	16.96
GMAC O/S Fin. 14⅛ 87	100	94⅞	95⅛	+0⅛	+1⅞	16.09
GMAC O/S Fin. 16½ 84	300	100½	101	−0⅛	+0⅝	16.16
Gulf States O/S 17⅛ 88	60	104⅛	104⅝	+0⅛	+3	16.37
Hiram Walker 16 86	50	101½	102	−0⅛	+2⅛	15.35
IBM Wld. Trade 14⅜ 84	100	101⅜	101⅞	−0⅛	+1	13.86
IBM Wld. Trade 14⅛ 85	50	101⅞	102⅜	+0⅛	+1⅛	13.92
Nat. Bk. Canada 15⅛ 84	40	†98½	99	−1	+1⅞	15.74
Nat. Bk. Canada 16½ 86	40	98⅞	99⅜	−0⅛	+0⅛	17.42
New Brunswick 17 86	60	103½	104	−0⅛	+2½	16.04
Newfoundland 17⅛ 89	60	103⅝	104⅛	0	+1⅛	16.32
Nova Scotia 17 91	75	94½	94⅞	+0⅛	+2⅛	16.08
Ohio Edison Fin. 17½ 88	75	103½	104	0	+4⅛	16.53
Pacific Gas Elec. 16 86	75	101⅜	101⅞	+0⅛	+0⅝	15.57
PSNH Int. Fin. 17 86	30	101⅞	102⅜	−0⅛	+2⅛	16.26
Quebec Hydro 17⅛ 91	150	104⅛	104⅝	−0⅛	+3⅛	16.32
Shell Canada 15⅝ 91	100	99⅞	100⅜	0	+2	15.70
Sth. California 14⅛ 88	50	96⅛	96⅝	−0⅛	+2⅛	15.60
Swed. Ex. Cred. 15⅛ 86	50	97	97½	+0⅛	+1⅛	16.56
Tenneco Int. 17 89	100	104½	105	+0⅛	+2⅛	15.88
Transcanada 17⅛ 88	75	104⅞	105⅜	−0⅛	+2	16.41
Walt Disney 15⅜ 86	100	101	101½	+0⅛	+2½	15.31
Wells Fargo Int. 15½ 84	50	101⅞	102⅜	+0⅛	+2⅛	14.35
Winnipeg 17 86	50	104⅛	104⅝	−0⅛	+3	15.64
World Bank 14⅛ 86	500	95½	96	−0⅛	+2⅛	15.65
World Bank 16 86	210	100⅛	100⅝	−0½	+2⅛	15.74
World Bank 16 88	80	100	100½	−0⅛	+3⅛	15.88
World Bank 16½ 86	130	101⅝	102⅛	0	+2½	15.85
World Bank 16½ 88	100	101⅞	102⅛	+0⅛	+3⅞	15.94

Average price changes On day 0 on week +2⅛

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. Bank 10 91	100	97⅝	98⅛	−0⅛	+0½	10.37
Asian Dev. Bk. 10⅛ 89	100	101⅜	101⅞	0	+0⅛	10.46
Austria, Rep. of 8⅛ 92	150	89⅛	90	+0⅛	+1⅛	9.84
Belgelectric 11 91	100	101	101⅛	−0⅛	+0½	10.76
CECA 10 91	120	100⅞	101⅜	−0⅛	+1½	9.77
Council of Europe 10 91	100	97⅝	98⅛	0	+0⅛	10.32
Council Europe 10⅛ 91	100	99	99⅛	−0⅛	+0⅛	10.35
EIB 8½ 90	200	90⅛	90⅞	+0⅛	+1	10.16
EIB 10½ 91	200	100⅞	101⅜	−0⅛	+1	10.27
ESCOM 9⅛ 87	100	94⅞	95⅛	+0½	+0⅛	10.47
Finland, Rep. of 10 89	100	96⅞	97⅜	−0⅛	+0⅛	10.52
Ind. Bk. Finland 8½ 90	50	90⅛	91⅛	+0⅛	+1½	10.11
Int.-Am. Dv. Bk. 10 91	100	98⅞	99⅜	−0⅛	+1	10.11
Japan Air Lines 8⅛ 87	100	93⅛	93⅞	−0⅛	−0⅛	9.59
Japan Dev. Bk. 7⅛ 87	100	90⅞	91⅜	−0⅛	0	9.65
Midland Int. Fin. 8½ 90	150	91⅜	92⅜	0	+1	9.88
Mrt. Bk. Dnmk. 10½ 91	100	98⅝	99⅛	0	+0½	10.67
Nat. West. 11 91	125	103	103⅛	−0⅛	0	10.43
OKB 10⅛ 91	150	98⅛	99½	+0⅛	+0⅞	10.27
Renault Acc. 10⅛ 85	150	98⅞	99⅛	0	+0⅛	10.96
Swed. Exp. Crd. 10⅛ 91	100	98⅞	99⅛	−0⅛	+0⅛	10.46
Venezuela R. of 9⅛ 90	150	93⅛	94⅛	+0⅛	0	10.87
World Bank 11 91	100	102½	103⅛	−0⅛	+0⅛	10.50

Average price changes .. On day 0 on week +0⅛

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Aeroport Paris 6½ 91	60	†92½	93	−0⅛	−0⅛	7.59
BFCE 6½ 91	100	†91	92	+0⅛	+0⅛	7.81
Bank of Int. Fin. 5⅛ 92	100	88⅛	89	−0⅛	0	6.72
Belgelectric Fin. 7⅛ 91	100	100⅝	101	0	+1	7.61
Bergen, City of 6⅞ 91	40	†98½	99	0	+2⅞	6.93
CECA 6⅞ 91	80	94⅛	94½	+0⅛	+1⅛	7.59
Dome Petroleum 5⅛ 91	100	89⅛	89½	+0⅛	+1⅛	7.37
Dome Petroleum 7⅛ 90	100	102½	102⅞	−0⅛	+1⅛	6.89
Elec. de France 5⅛ 90	100	†85	85½	−0½	−0½	7.59
Eurofima 5⅛ 92	80	†88	89	0	0	7.31
Finland, Rep. of 5⅛ 90	80	87⅞	88	+0⅛	+1⅛	7.56
Franc. Petroles 6½ 91	80	†93	93½	+0½	+2⅞	7.52
Genstar 7 91	100	100⅛	100⅝	+0⅛	+0⅛	6.95
Int. Amer. Dv. Bk. 7 91	100	97½	97⅞	+1⅛	+2⅛	7.35
I S Elsam 8½ 91	30	103	103⅛	0	+1⅛	8.03
Japan Dev. Bank 5⅞ 90	100	92⅝	92⅞	+0⅛	+0⅛	6.86
Mt. Blanc Tunnel 5⅛ 90	60	88⅛	88½	+0⅛	+1⅛	7.68
Neder. Gasunie 5 91	100	104	104½	−0⅛	+0⅛	7.38
OKB 7 93	100	97⅛	97½	−0⅛	0	7.34
Oslo, City of 8 91	100	104	104⅛	−0⅛	+1	7.40
Swed. Ex. Credit 7½ 91	75	96⅝	96⅜	+1⅛	+2⅛	7.82
Trade Dev. Fin. 6⅛ 90	50	90	90⅛	0	−0⅛	7.70
Voest-Alpine 5⅛ 90	80	88⅛	88½	0	+1½	7.59
World Bank 6 91	100	88⅞	89⅛	+0½	+0⅞	7.65
World Bank 7 90	100	†99⅛	99½	+0⅛	+1⅛	7.09
World Bank 8 91	100	103	103⅛	0	+1⅛	7.54

Average price changes.. On day +0⅛ on week +1

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. Bk. 8⅛ 91	15	97	98	0	+0½	8.63
Australia 6½ 88	20	86	87	0	+0⅛	9.34
EIB 7⅛ 89	12	93⅛	94⅛	0	+0½	8.61
Finland 5.8 88	10	86⅞	87⅜	0	+0⅛	9.52
Finland, Rep. of 5⅛ 87	15	95⅛	96⅛	0	−0⅛	9.24
New Zealand 8⅛ 87	15	97	98	0	+0⅛	8.94

Average price changes On day 0 on week +0⅛

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
CIBC 13½ 85 C$	50	†93½	94½	0	+3½	15.75
CIBC 11½ 85 C$	60	†87½	88½	0	+3⅛	15.98
Federal Dev. 11½ 90 C$	60	†79½	80½	+0½	+3	15.85
Federal Dev. 17⅛ 86 C$	40	†102	103	0	+2⅛	16.96
Fst. Can. Inv. 10 84 C$	50	†86½	87½	0	+1½	16.62
GMAC (Can.) 18 87 C$	60	†104	105	−1	+0½	16.71
Tordom Cpn. 13½ 85 C$	30	†97	98	0	+2	14.37
M. Bk. Dnmk. 9 91 EUA	25	78⅛	79⅛	0	0	12.78
SOFTE 8⅛ 89 EUA	40	74½	75½	0	0	13.81
U. Bk. Nwy. 9½ 90 EUA	18	80⅛	82	0	−0⅛	13.30
Algemene Bk. 10⅛ 86 Fl	60	94⅛	94⅝	−0⅛	+0½	11.95
Amro Bank 12 86 Fl	75	99½	100	0	+0⅞	12.03
Heineken NV 10 87 Fl	100	93½	94	−0⅛	+1	11.53
Nat. Nedrlndn. 10 88 Fl	60	94⅛	94⅝	+0⅛	+0⅞	11.28
Ned. Midd. Bk. 10 85 Fl	75	95⅛	95⅞	−0⅛	0	11.44
Pierson 10⅛ 86 Fl	50	92⅞	93⅜	0	+0⅛	12.36
Rabobank 12 86 Fl	50	99⅝	100⅛	−0⅛	+0⅛	11.99
Air France 14½ 86 FFr	200	91⅛	92⅛	0	+0⅛	17.07
Bk. America 14½ 86 FFr	250	92	93	−0⅛	+0½	16.92
Charb'nages 13⅞ 85 FFr	400	90⅞	91⅞	−0⅛	0	16.91
EIB 14⅛ 85 FFr	300	86⅞	87⅞	0	+0⅛	17.59
La Redoute 14⅛ 85 FFr	125	90	91	0	+0⅛	17.76
OKB 14 86 FFr	400	91⅛	92⅛	−0⅛	+0⅛	16.83
Solvay et C. 14⅛ 86 FFr	200	91	92	0	+0⅝	17.61
Swed. E. Cr. 14⅜ 86 FFr	250	90⅛	91⅛	0	+0⅝	17.71
U. Mex. Sts. 14 85 FFr	150	91⅛	92⅛	0	+0⅛	17.22
Acona 14 85 £	20	88⅞	89⅞	−0⅛	0	17.86
Beneficial 14⅛ 90 £	20	79⅞	80⅜	−0⅛	+0⅛	18.94
BNP 13½ 91 £	15	82⅞	83⅜	+0⅛	+0⅛	17.28
CECA 13½ 88 £	20	84½	85⅛	+0⅛	+0⅛	17.40
Citicorp O/S 13½ 90 £	50	86⅛	87	+0⅛	+1	16.54
Fin. Ex. Cred. 13⅛ 86 £	15	89⅛	89⅞	+0⅛	+0⅛	17.26
Gen. Elec. Co. 12½ 89 £	50	82⅞	83⅜	−0⅛	+0⅛	16.55
Hiram Walker 14⅛ 86 £	25	90⅝	91½	+1⅛	+1⅛	17.17
Privatbanken 14½ 88 £	12	88	88⅛	0	−0⅛	17.58
J. Rothschild 14⅛ 90 £	12	88⅛	89⅛	+0⅛	+0½	16.74
Royal Trustco 14 86 £	12	88½	89½	−0⅛	−0⅛	17.77
Swed. Ex. Cr. 13⅛ 86 £	20	88⅛	89½	0	+0⅞	17.43
Akzo 9⅛ 87 LuxFr	500	85⅛	86⅛	0	+0⅛	12.70
Euratom 9⅛ 88 LuxFr	500	87⅛	88⅛	0	+0⅛	12.71
Eurofima 10½ 87 LuxFr	500	89⅛	90⅛	0	+0⅛	13.09
EIB 9⅛ 88 LuxFr	600	83½	84½	0	−0⅛	13.71
Volvo 9⅛ 87 LuxFr	500	84⅛	85⅛	0	+0⅛	13.56

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
Bank of Montreal 5⅛ 90	0⅛	99½	100	18/12	16⅛	16.79
SBL Int. 5 86	0⅛	99⅛	100⅛	20/11	18.31	18.31
BFCE 5⅛ 88	0⅛	99⅛	100⅛	25/4	16.94	16.96
BNP 5½ 88	‡0⅛	100	100½	29/1	16⅛	16.71
Christiania Bk. 5½ 91	‡0⅛	98⅝	99⅛	5/2	15.56	16.74
Co-Ban Eurofin 5½ 91	0⅛	98⅛	99⅛	14/4	16.69	16.86
Den Norske Credit 6 90	‡0⅛	99⅛	99⅝	5/2	15.56	15.66
Genfinance 5⅛ 87	0⅛	100⅛	100⅝	30/4	17.06	16.98
Genfinance 5⅛ 92	0⅛	99⅝	100⅛	30/12	18.31	18.34
Giro und Bank 5⅛ 91	‡0⅛	99½	100	23/12	17½	17.54
GZB 5⅛ 92	‡0⅛	99⅛	99⅝	5/12	17⅛	17.36
Ind. Bank Japan 5⅛ 88	0⅛	100	100½	9/4	16⅝	16.58
Lloyds Eurofin 8 90 £	0⅛	96⅝	97⅛	8/1	13⅞	14.05
Lloyds Eurofin 5⅛ 92	§0⅛	99⅛	99⅝	4/12	17.44	17.53
Lloyds Eurofin 5½ 93	§0⅛	98⅜	98⅞	29/4	17.13	17.19
LTCB Japan 5⅛ 86	0⅛	99⅝	100⅛	13/12	17⅛	17.25
LTCB Japan 5½ 89	0⅛	99⅝	100⅛	16/1	18.32	18.34
Midland Int. Fin. 5⅛ 92	0⅛	99⅛	99⅞	5/12	17½	17.44
Midland Int. Fin. 5 91	0⅛	99½	100	30/4	17.06	17.11
Nacional Fin. 5½ 88	0⅛	98⅛	98⅞	25/3	17.31	17.55
Nat. Bk. Canada 5⅛ 88	0⅛	99⅝	100⅛	24/3	17.31	17.33
Nat. West. Fin. 5⅛ 91	§0⅛	99⅛	99⅞	15/1	18⅞	18.19
Nat. West. Fin. 5⅛ 92	§0⅛	99⅝	100⅛	23/4	17	17.02
Nordic Int. Fin. 5½ 91	0⅛	98⅛	99	6/5	15⅝	15.84
Pemex 6 91	0⅛	98	98½	6/4	17	17.30
Pemex 5⅛ 88	0⅛	97⅛	98½	14/2	18.81	19.17
Sanwa Int. Fin. 5⅛ 86	0⅛	99½	100	24/3	17⅛	17.29
Societe Generale 5⅛ 91	0⅛	99⅛	99⅞	22/1	18⅝	18.70
Sparebanken 6 87	0⅛	98⅞	99⅜	19/12	16.81	16.96
Sumi. Fin. Asia 5½ 88	0⅛	100⅛	100⅞	6/2	19.56	19.44
Svenska Hndlsbk. 5 87	0⅛	100	100½	15/1	18⅝	18.06

Average price changes... On day 0 on week +0⅛

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
Ajinomoto 5⅛ 96	7/81	933	87⅛	88⅛	−0⅛	0.97
Bow Valley Inv. 8 95	4/81	23.12	97½	98⅝	−0⅛	29.60
Canon 6⅛ 95	1/81	829	113⅝	115⅝	−1⅞	1.51
Daiwa Secs. 5½ 96	12/81	539	†74½	76½	−0½	1.13
Fujitsu 4½ 96	10/81	6770	100½	102	0	7.85
Furukawa Elec. 5⅛ 96	7/81	300	108⅝	109⅞	+0⅛	3.18
Hanson O/S Fin. 9½ 96	8/81	2.74	†84	85	−3	−4.00
Hitachi Cred. Cpn. 5 96	7/81	1985	88⅛	90⅛	−0⅛	15.93
Inchcape 8 95	2/81	4.55	57⅞	59⅛	+1⅛	32.42
Kawasaki 5⅛ 96	9/81	229	85	86½	−1½	2.13
Marui 6 96	7/81	931	93⅛	94⅛	+0⅛	1.77
Matsushita El. 7½ 95	11/80	590	82	83⅛	−1½	−3.61
Minolta Camera 5 96	10/81	909	74⅛	76⅛	−0⅛	10.06
Murata 5⅛ 96	7/81	2190	84⅛	86⅛	−0⅛	6.96
NKK 6½ 96	7/81	188	95	96½	−0⅛	−3.58
Nippon Chemi-C. 5 81	10/81	919	83	85	−0½	2.44
Ricoh 6⅛ 95	8/80	604	115⅝	117⅝	−3	2.34
Sanyo Electric 5 96	10/81	652	80⅛	81⅛	−1⅞	7.47
Sumitomo Met. 5⅛ 96	10/81	305	88	89½	+0½	3.44
Swiss Bk. Cpn. 6⅛ 90	9/80	200	76½	78½	+0⅛	19.14
Taylor Woodrow 8⅛ 90	1/81	4.94	†77	78	+1	−2.68
Transco Int. 8⅛ 95	2/81	68	80½	82	−1½	25.67
Tricorp 8½ 95	12/80	31.25	71½	73	0	14.32
Union Bk. Switz. 5 63	2/80	70.79	83⅛	85⅛	+0⅛	7.35
Sharp Cpn. 6½ 88 DM	9/80	591.8	169½	171⅛	+0⅞	−1.25
Uny Co. 6½ 85 DM	11/79	879.3	102⅞	103⅜	−0⅛	2.92

EUROBOND TURNOVER
(nominal value in $m)

	Cedel	Euro-clear
U.S. $ bonds		
Last week	4,555.7	8,453.6
Previous week	3,858.4	5,674.7
Other bonds		
Last week	723.9	486.9
Previous week	863.5	437.0

* No information available—previous day's price.

† Only one market maker supplied a price.

STRAIGHT BONDS: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month; § above mean rate) for U.S. dollars. C.cpn = The current coupon. C.yld = The current yield.

CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

The list shows the 200 latest international bonds for which an adequate secondary market exists. The prices over the past week were supplied by: Kredietbank NV; Credit Commercial de France; Credit Lyonnais; Commerzbank AG; Deutsche Bank AG; Westdeutsche Landesbank Girozentrale; Banque Generale du Luxembourg SA; Banque Internationale Luxembourg; Kredietbank Luxembourg; Algemene Bank Nederland NV; Pierson, Heldring and Pierson; Credit Suisse/Swiss Credit Bank; Union Bank of Switzerland; Akroyd and Smithers; Bankers Trust International; Credit Commercial de France (Securities) London; Citicorp International Bank; Daiwa Europe NV; Deltec Securities (UK); EBC; First Chicago; Goldman Sachs International Corporation; Hambros Bank; IBJ International; Kidder Peabody International; Manufacturers Hanover; Merrill Lynch; Morgan Stanley International; Nikko Securities Company (Europe); Orion Royal Bank; Salomon Brothers International; Samuel Montagu and Co.; Scandinavian Bank; Societe Generale Strauss Turnbull; Sumitomo Finance International; S. G. Warburg and Co.; Wood Gundy.

Closing prices on November 6

[Jo4] no/ 150

ENDING DIVIDENDS

Dates when some of the more important company dividend ...ments may be expected in the next few weeks are given in the ...wing table. The dates shown are those of last year's ...uncements, except where the forthcoming board meetings ...cated thus*) have been officially published. It should be ...assed that dividends to be declared will not necessarily be ...e amounts in the column headed "Announcement last year."

	Date	Announcement last year
w...	Nov 17	Int. 0.75
...yd and Smithers	Nov 20	Final 18.0
...d-Lyons	Nov 25	Int. 2.0
...d Irish Banks	Nov 11	Int. 3.5
...erson ...trathclyde	Nov 26	Int 1.0
...Foods	Nov 11	Int. 1.2
...t and NZ Banking	Nov 17	Final 12c
...Rubber	Dec 3	Final 1.0
...Inds.	Nov 24	Int. 4.0
...r. Perkins	Dec 11	Int. 2.1
...	Dec 1	Final 6.3
...cham	Nov 18	Int. 3.086
...ts	Nov 19	Int. 2.875
... Bldg. and Eng. Agg.	Dec 3	Int. 1.0
... and Comm. Shipping	Nov 18	Int. 5.5
...sh Sugar	Nov 13	Final 12.65
...khouse	Nov 26	Final 1
...wn Matthew)	Nov 26	Final 4.435
...nett and ...allamshire	Nov 27	Int. 4.85
...on	Nov 18	Final 3.5
...ital and Counties	Nov 28	Int 1.0
...r Ryder	Nov 10	Int. 4.287
...roods	Dec 4	Int. 1.4
...rter Cons.	Dec 2	Int. 3.4
...nda	Nov 11	Int. nil
...bb	Nov 12	Int. 1.947
...rchbury Estates	Nov 26	Int. 4.0
...lite	Dec 3	Int. 1.36
...mon Bros	Nov 12	Final 8.0
...rtaulds	Nov 26	Int. nil
...rson Intl.	Dec 2	Int. 3.0
...La Rue	Nov 10	Int. 6.5
...son Park	Dec 9	Final 3.31
...tern Produce	Nov 21	Int 1.4
...tt (B.)	Nov 27	Int. 5.0
...tish China Clays	Dec 17	Final 3.5
...el	Nov 20	Int. 2.25
...	Dec 4	Int. 2.5
... Refuelling	Nov 12	Int. 0.95
...nch Kiar	Nov 26	Int. 0.86
...	Dec 4	Int. 3.5
... Intl.	Nov 17	Int. 1.76
...nada	Dec 4	Final 2.766
...S	Dec 4	Int 4.5
...nness (A.)	Dec 12	Final 3.325

	Date	Announcement last year
*HAT	Nov 17	Int. 1.25
Hall (M.)	Dec 3	Int. 1.974
*Hambros	Nov 24	Int. 65.0
Hanson Trust	Dec 10	Final 4.75
*Heath (C. E.)	Nov 24	Int. 3.1
*Hill Samuel	Nov 10	Int. 2.2
ICI	Dec 11	Final 2.025
IC Gas	Dec 9	Int. 2.7
Intnl. Paint	Nov 27	Int. 0.96
Intnl. Timber	Dec 2	Int. 2.0
*Kwik Save	Nov 25	Int. 2.7
*Land Sec.	Nov 16	Int. 2.56
*Lucas Inds.	Nov 9	Final 8.4
*MEPC	Dec 1	Final 4
*MK Elec.	Nov 30	Int. 5
*Metal Box	Nov 23	Int. 4.2
*Meyer (M. L.)	Dec 8	Int. 1.75
*Nat. Bank Australia	Nov 12	Final 9.5c
Norcros	Dec 12	Int. 1.96
Pegler Hattersley	Dec 10	Int. 4
Philips' Lamps	Dec 12	Int. 0.60
*Pilkngtn. Bros	Dec 2	Int. 5.0
*Powell Duffryn	Nov 19	Int. 4.7
RHM	Dec 2	Final 2.121
Readicut Intl.	Nov 18	Int. 0.55
Rediffusion	Nov 28	Int. 1.25
Redland	Dec 11	Int. 2.67
Renold	Nov 20	Int. 2.0
Rothmans Intl.	Nov 19	Int. 1.0
Royal Bank Scotland	Dec 4	Final 2.7
*600 Group	Nov 26	Int. 2.34
*Smith (W. H.)	Nov 18	Int. 0.28
*Smith Inds.	Nov 10	Final 6.3
*Staveley Inds.	Nov 12	Int. 4½
Stenhouse	Dec 11	Final 2.83
*Tesco Stores	Nov 17	Int. 1.0
Trafalgar House	Dec 9	Final 2.85
Tunnel	Nov 27	Int. 3.5
*Unilever	Nov 17	Int. 8.94
Wedgwood	Nov 27	Int. 0.875
Westland	Dec 10	Final 3.5
*Whitbread	Nov 10	Int. 2.1
*Wolseley-Hughes	Nov 11	Final 8.1
Wolv. and Dudley Brews.	Dec 9	Final 3.5
Woodhead (Jonas)	Dec 5	Int. due

* Board meeting intimated. † Rights issue since made. ‡ Tax free. § Scrip issue since made. ¶ Forecast.

WEEK'S FINANCIAL DIARY

The following is a record of the principal business and financial engagements during the week. The board meetings are mainly for the purpose of considering dividends and official indications are not always available whether dividends concerned are interims or finals. The sub-divisions shown below are based mainly on last year's timetable.

TODAY

COMPANY MEETINGS—

Ferry Pickering Grp., Allen House, Newarke Street, Leicester, 12.00
Murray Glendevon Inv. Tst., 163, Hope Street, Glasgow, 2.30

BOARD MEETINGS—

Finals:

Beazer (C. H.)
Drayton Consd Tst
Lucas Inds
Murray Clydesdale Inv. Tst
Scottish Natl Tst

Interims:

Cullen's Stores
Electrocomponents
Futura
London and Midland Inds
Outwich Inv Tst
RIT
Seccombe Marshall and Campion
Wettern Bros
Young Companies Inv Tst

DIVIDEND & INTEREST PAYMENTS—

Air Call 1.85p
Amdani 10cts
Appleyard Grp. 0.1p
Brixton Estate 1.55p
Gerrard and National Discount 5p
Kwahu 1.84p
Merrill Lynch Capital NV Gtd. Fltg. Rate Notes 1987 $248.37
Minerals and Resources Corp. 16cts
North British Canadian Inv. 1.75p
Paradise (B.) 0.7p
Rotaprint 0.1p
Sandhurst Marketing 0.675p
Second City Props. 1.5961p
Southwark 6½pcRed. 1983-86 3.375pc
Stewart Wrightson 3.85p
Watmoughs (Hldgs.) 1.7p
Westpool Inv. Tst. 0.782p

TOMORROW

COMPANY MEETINGS—

Raglan Prop. Tst., Great Eastern Hotel, Liverpool Street, EC, 11.00

BOARD MEETINGS—

Finals:

Arenson (A.)
Bridport-Gundry
Cedar Inv Tst
Erskine House Inv
Jessups
Newman-Tonks
Peters Stores
Smiths Inds

Interims:

Cater Ryder
Control Secs
De La Rue
Fclkes (John) Hefo
Hill Samuel
Kwik-Fit (Tyres and Exhausts)
Scott and Robertson
Takeda Chem Inds
Whitbread

DIVIDEND & INTEREST PAYMENTS—

American Express 50cts
Bridon 1.2p
Cons. Plantations Berhad 5sen 11
Desoutter Brothers (Hldgs.) 2.7p
Guinness Peat Grp. 1.25p
Honda Motor Y5
IDC Grp. 1.33p
Laporte Inds. (Hldgs.) 3.5p
Marsh and McLennan 50cts

WEDNESDAY NOVEMBER 11

COMPANY MEETINGS—

Lawrie Plantations Hldgs., Sir John Lyon House, 5, High Timber Street, EC, 2.30
Parker Knoll, New Berners Hotel, Berners Street, W, 12.30
Scholes (George H.), Wyles Works, Wythenshawe, Manchester, 12.00
Zetters Grp., 86-88, Clerkenwell Road, EC, 11.30

BOARD MEETINGS—

Finals:

Herman Smith
"W" Ribbons
Wolseley-Hughes

Interims:

Allied Irish Banks
Applied Computer Techniques
Asscd British Foods
Chloride
External Inv Tst
King and Shaxson
Northern Goldsmiths
Slingsby (H. C.)
Transatlantic and Gen Inv
Warrington (Thomas)
Wire and Plastic Prods

DIVIDEND & INTEREST PAYMENTS—

Aberdeen Tst. Db. 4pc (May)
Alliance Tst. Dbs. 1½ 2¼pc
American Tst. Db. 3¼pc (1982-87)
Bunzl Pulp and Paper 4.5p
Dundee Corp. Anns. Police 3½pcDb. 1¾pc Do. Water 3½pcDb. 1¾pc. Do. Gas 3½pc Db. 1¾pc
Edinburgh American Assets Tst. Db. 2½pc
Forth Ports Authority 3½pc Funded Db. 1¾pc
Glasgow 9¼pcRed. 1980-82 4⅝pc. Do. Gas 6¼pc Ann. (Perp.) 3⅛pc. Do. Gas 9pc Ann. Perp. 4½pc. Do. Waterworks Funded Db. 4pc 2pc. Do. Waterworks Funded Db. 3½pc 1¾pc. Do. 3½pc Irrd. 1¾pc
Grant (James) (East) Db. 3¼pc
Guest, Keen and Nettlefolds 4p
Hamlyn Angus Milling Db. 2½pc
Hewitt (J.) and Son (Fenton) 0.45p
Investors Capital Tst. Db. 2pc
Merrill Lynch 32cts
Morrison (Wm.) Supermarkets 0.4p
Murray Glendevon Inv. Tst. 1.8p
Park Place Inv. 2.35p
Scholes (George H.) 12.52p
Scottish Eastern Inv. Tst. Db. 2(Red.) 2pc(Perp.)
Scottish Mortgage and Tst. Db. 4½ 2¼pc
Second Alliance Tst. Db. 1½ 2¼ 2¼pc
Securities Tst. of Scotland Db. 1½ 3½pc
Sommerville (Wm.) and Son 6pcPf. 2.1pc
Surmah Valley Tea 1p
Uniroyal Db. 2¼pc
Utd. Wire Grp. 5pcPf. 1.75pc

THURSDAY NOVEMBER 12

COMPANY MEETINGS—

Bejam Grp., Winchester House, 100, Broad Street, EC, 12.00
Celtic Haven, Kensington Palace Hotel, De Vere Gardens, W, 12.00
HTV Grp., Crest Hotel, Filton Road, Hambrook, Bristol, 12.30
Link House Publications, Carlton Hotel, East Overcliff, Bournemouth, Dorset, 12.00
Tor Inv. Tst., 6, Caer Street, Swansea, 9.45
Westminster and Country Props., Winchester House, 100, Old Broad Street, EC, 12.00

BOARD MEETINGS—

Finals:

Anglo Scottish Inv Tst
LWT
Morland
Natl Bk of Australia
Sungei Bahru Rubber Est

Interims:

Allnatt London Prop
Aquascutum
East Midland Allied Press
Hill (Charles) of Bristol
Northern Secs Tst
Oil and Assod Inv Tst
Prince of Wales Hotel
Staveley Inds
Valor
Whittington Eng

DIVIDEND & INTEREST PAYMENTS—

Armstrong Equipment 0.946p
British Petroleum 6.25p
Celtic Haven 0.25p
Finlay Packaging 0.5p
Fletcher Challenge 6cts
Lawrie Plantation Hldgs. 20p
MDW Hldgs. 1.5p
Royal Bank of Scotland Floating Rate Cap Notes 1983 $100.5295
Shell Transport and Trading 5.6p. Do. (Br.) 3.6p
Smart (J.) (Contractors) 2.6p
Tor Inv. Tst. Cap. 0.91p. Do. Inc. 6.3p
Utd. Mizrahi Int. Inv. NV Gtd. Fltg. Rates Notes 1986 $993.47
Williams and James (Engineers) 1.155p
Wolstenholme Rink 2.5p
Zetters Grp. 1.9p

FRIDAY NOVEMBER 13

COMPANY MEETINGS—

Chambers and Fargus, 169-187, Wincolmlee Street, Hull, 12.00
Erskine House Inv., Winchester House, 100, Old Broad Street, EC, 12.00

BOARD MEETINGS—

Finals:

Stothert and Pitt

Interims:

Beales (John)
De Vere Hotels and Rests
Lloyd (F. H.)

DIVIDEND & INTEREST PAYMENTS—

Allen Harvey and Ross Ptg. Pfd. 1.4p
Automated Security (Hldgs.) 0.575p
BOC Int. Dbs. 2½ 3¼pc
Barton Grp. 1p
Bejam Grp. 1.5p
Bemrose Corp. 1.5p
Brunswick Corp. 22.5cts
Cambridge Electronic Inds. 1.25p
Chambers and Fargus 1.5p
Clifford's Dairies Ord. and A Ord. 1.5p
Empire Stores (Bradford) 1.2p
English Association Grp. 4.75p
Federated Land 1.1p
Fogarty (E.) 1.6p
Gresham Inds. 20.5cts
HTV Grp. 6.5p
Hapoalim Int. Gtd. Fltg. Rate Notes 1984 $977.50
Hume Inv. Tst. 7pcPf. 2.45pc
Johnstone (W. F.) 40cts
Kleinwort Benson Finance BV Gtd. Fltg. Rates Notes 1991 $243.57
Mackay (Hugh) 1.4p
Mann Egerton 7½pcPf. 3.06pc
Midlands Inds. 1.1p
Newcastle and Gateshead Water 7pc (fmly. 10pc) Max. Cons. 2.8pc. Do. 4.9pc (fmly. 7pc) Max. Cons. (1876) 1.96pc. Do. 4.9pc (fmly. 7pc) Max. Ord. (1893) 1.96pc. Do. 4.2pc (fmly. 6pc) Max. Ord. 1.68pc. Do. 3.5pc (fmly. 5pc) Cons. Pf. 1.75pc. Do. 2.45pc (fmly. 3½pc) Perp. Pf. 1.225pc. Do. 3.5pc (fmly. 5pc) Red. Pf. 1980-81 1.75pc. Do. 4.025pc (fmly. 5¾pc) Red. Pf. 1982-1984 2.0125
Scottish Utd. Inv. Db. 2¼pc
Unisec Grp. 8cts
Ward White Grp. 1.4p
Whatman Reeve Angel 1.8p
Zapata Corp. 10cts

SATURDAY NOVEMBER 14

DIVIDEND & INTEREST PAYMENTS—

Grampian Hldgs. 1.5p
New Zealand 5¼pc 1976-82 2⅝pc
Parker Knoll Ord. and A Ord. 5p
Scottish Northern Inv. Tst. Db. 1½ 2(1973-83) 2(1985 or after) 5¼pc

SUNDAY NOVEMBER 15

DIVIDEND & INTEREST PAYMENTS—

Abbott Laboratories 18cts
Agricultural Mortgage Corp. 9½pcDb. 1985-87 4¾pc
Alliance Inv. 6pcPf. 2.1pc
Barclays Bank Ln. 4⅛pc
Barnet 7¼pc Red. 1982-84 3⅝pc
Beattie (James) Db. 3⅛pc
Borg-Warner Corp. 70cts
Burt Boulton Hldgs. Db. 3⅛pc
Cardiff 7pc Red. 1979-82 3½pc
Chase Manhattan Corp. 77.5cts
Colgate-Palmolive 30cts
Corp. of London 13¼pc 1983 6⅝pc
Croydon 6¾pc Red. 1978-81 3⅜pc
Exchequer 13¼pcLn. 1996 6⅝pc
General and Commercial Inv. Tst. Db. 2pc
Islington 13½pc Red. 1982 6¾pc
Liverpool 9¼pc Red. 1984 4⅝pc
Maidstone 6¾pc Red. 1979-81 3⅜pc
Metropolitan Est. and Prop. Int. NV 8¾pc Ln. 1988 4⅜pc
Murray Clydesdale Inv Tst. Db. 2½pc
Standard Life Assce. Perp. Stk. 2½pc
"B" Gilt Fund Ptg. 3.25p
Treasury 12½pc 1995 6¼pc
Tyne and Wear 12pc Red. 1982 6pc
West Hertfordshire Main Drainage Authority 9¼pc Red. 1981-83 4⅝pc

Jewellery sector 'hit hard by recession'

By Lisa Wood

JEWELLERY seems to have been hit worse by the recession than many other consumer products, according to a business analyst's report.

Key Note Publications says the erratic behaviour of metal and diamond prices since late 1979 had done little to stimulate the sector.

There was now slightly more price stability, with high interest rates, particularly in the U.S., having kept metal prices down. But manufacturers' stocks are believed to be so low that some restocking should follow. This would stimulate prices.

The industry welcomed the stability but needed a gently steady rise in prices to lure back investors and purchasers.

Jewellery: Key Note Publications, 23, City Road, London EC14. £25.

Cigarette adverts ban 'futile'

By David Churchill, Consumer Affairs Correspondent

A BAN on cigarette advertising in the UK would be "both futile and damaging to the interests of consumers," the Advertising Association claims in a booklet published today.

Mr Mike Waterson, the association's director of research, says that a ban would have no effect on consumption "but would deprive consumers of important product information."

The association's booklet is based on an analysis of available data on cigarette consumption in the UK and other countries.

TOTAL

COMPAGNIE FRANÇAISE DES PETROLES

Consolidated Results at June 30, 1981

TOTAL Group consolidated results for first half 1981 show a cash flow of F3.494 million and a net income of F653 million, (of which CFP's share is F599 million and minority interests F54 million).

1. The incidence on inventories resulting from application of the FIFO method is estimated at F3.400 million. Excluding incidence on inventories the actual result is then substantially negative due to the considerable losses incurred by the refining/marketing sector, in France and Italy in particular.
2. The book results take account of net exchange losses of F878 million. The greater part of these are related to long-term currency borrowings, coming due after June 30. On the other hand, currency fluctuations in relation to the franc brought about a F1.305 million revaluation of fixed assets: this revaluation which is not accounted for in the results directly increases the net position by an equivalent amount.
3. Sales before taxes totalled F65 billion against F48 billion for first half 1980. This increase is due particularly to the dollar's rise against the franc.
4. Gross investments amounted to F3.746 million. These were made mainly in the exploration and oil production sector, and also served to modernise refining units. Because of the substantial incidence on inventories during this half, the medium and long-term debt-to-worth ratio remains at 0.27, the same level as at the end of 1980.

LOCAL AUTHORITY BOND TABLE

Authority (telephone number in parentheses)	Annual Interest gross interest	pay-able	Minimum sum	Life of bond
	%		£	Year
Knowsley (051-548 6555)	14¾	½-year	1,000	1-3

BARLOW RAND LIMITED

(Incorporated in the Republic of South Africa)

CONSOLIDATED PROFIT AND ORDINARY DIVIDEND

The audited consolidated results for the year ended 30 September 1981 are:—

	1981 R000's	1980 R000's	Percentage increase
Turnover	4,571,929	3,408,632	34
Group Operating Profit	597,252	455,284	31
Income from investments	54,146	52,918	
Profit on sale of shares less amounts written off	1,493	979	
Group profit before taxation	652,891	509,181	28
Taxation	232,250	168,208	38
Group profit after taxation	420,641	340,973	23
Attributable to:			
—outside shareholders in subsidiaries	161,218	121,583	
—6% preference shareholders in Barlow Rand Limited	45	45	
—ordinary shareholders in Barlow Rand Limited	259,378	219,345	18
Number of ordinary shares upon which earnings per share is based (000's)	125,983	123,501	
Earnings per ordinary share	205.9 cents	177.6 cents	16
Dividend	70.0 cents	58.0 cents	21
Dividend cover	2.9	3.1	

NOTE: The rate of exchange used for conversion at 30 September 1981 was taken as R1 = £0.58.

The results of certain foreign subsidiary companies have not been consolidated for the period under review and the comparative figures have been restated.

For a better appreciation of the results for the year the following is an analysis of the group profit attributable to ordinary shareholders before the preference dividend:

	Year ended 30 Sept. 1981 R000's	1980 R000's	Percentage increase
Manufacturing and Distribution operations (excluding those shown below)	199,473	144,320	38
Mining and Exploration			
—operations	34,527	27,586	25
—investment income	22,864	25,105	—
Ferro-alloy and stainless steel manufacture	1,529	19,693	—
Overseas subsidiaries	1,030	2,686	—
	259,423	219,390	18

These results are in line with those achieved for the first six months of the year under review and with the forecast in the Interim Report issued in May.

A final ordinary dividend of 49.0 cents per share has been declared payable to shareholders registered at the close of business on 27 November 1981 and a formal notice to this effect appears below. This dividend together with the interim ordinary dividend of 21.0 cents per share makes a total distribution of 70.0 cents for the year (1980: 58.0 cents).

The annual financial statements will be mailed to shareholders at the end of the month.

A. M. ROSHOLT, *Executive Chairman* — G. W. DUNNINGHAM, *Vice-Chairman*

Sandton

6 November 1981

ORDINARY DIVIDEND NO. 104

Notice is hereby given that an ordinary dividend of 49.0 cents per share has been declared payable to shareholders registered in the ordinary share register of the company at the close of business on 27 November 1981. This dividend, together with the ordinary dividend which was declared on 14 May 1981, makes a total distribution in respect of the financial year ended 30 September 1981 of 70.0 cents per ordinary share (1980: 58.0 cents). The transfer books and registers of ordinary shareholders of the company in South Africa and the United Kingdom will be closed from 28 November 1981 to 4 December 1981, both days inclusive, for the purpose of determining those shareholders to whom the dividend will be paid. Dividend warrants will be posted on or about 15 January 1982 to shareholders at their addresses or in accordance with their written instructions received up to and including 27 November 1981.

This dividend is declared in the currency of the Republic of South Africa and the rate of exchange at which the dividend will be converted into United Kingdom currency for payment of dividends from the United Kingdom Registrar will be the telegraphic transfer rate of exchange between South Africa and the United Kingdom ruling on the first business day after 2 January 1982.

In terms of the South African Income Tax Act, 1962, as amended, a non-resident shareholders' tax has been imposed on dividends payable to:

(a) persons other than companies, not ordinarily resident nor carrying on business in South Africa; and

(b) companies which are not South African companies.

The company will accordingly deduct the tax from dividends payable to ordinary shareholders whose addresses in the share register are outside the Republic of South Africa at the rate of 14.68 per cent.

By order of the Board
K. A. BAGG, Secretary

Registered Office:	Transfer Secretaries:	United Kingdom Registrars:
Barlow Park	Rand Registrars Limited	Lloyds Bank Limited
Katherine Street	2nd Floor, Devonshire House	Registrar's Department
Sandton	49 Jorissen Street,	The Causeway
2196—South Africa	Braamfontein.	Goring-by-Sea
(PO Box 78—2248	2001—South Africa	Worthing
Sandton	(PO Box 31719	West Sussex BN12 6DA
2146—South Africa)	Braamfontein	England
	2017—South Africa)	

Sandton
6 November 1981

U.S. BONDS — **BY IAN HARGREAVES**

Spirits rise as recession deepens

THE U.S. bond market enjoyed itself last week, swallowing up the $8.75bn Treasury refunding as if it were a canape at a Wall Street cocktail party.

There was genuine retail interest in all segments of the market, even the long bond sector, and the Treasury's seasoned 13¾ bond due in 2011 ended the week over 101, its first entry into the above-par zone since June.

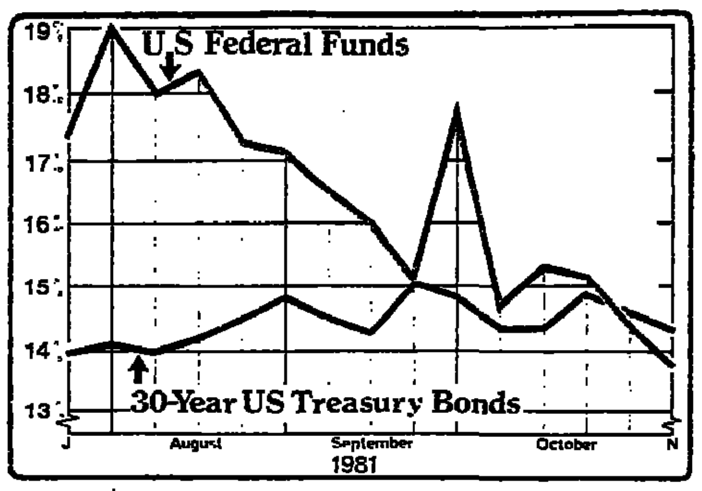
Other illustrations of the victory rally were everywhere. In the Treasury refunding, the three-year notes went for a yield of 14.43 per cent, down markedly from the record 15.96 per cent in the August auction.

The ten-year notes came in at 14.33 per cent, down from 14.98 per cent last time. The 30-year bond, however—where long-term confidence really gets its test—needed a yield of 14.10 per cent to sell, which in fact is a new record, up from 14.06 per cent last August.

Several corporations, naturally, took advantage of all these good spirits to wheel out previously unsaleable new issues. Southern Bell got rid of its 16 per cent 40-year debentures, which are rated AAA, but still had to sell them at 96¼ with a yield of 16.62 per cent. Late Friday Caterpillar Tractor, served up at par $100m of top quality industrial bonds, due in 1988 with a coupon of 14¾ per cent.

What do these suprisingly strong trading patterns tell us? Primarily, they underscore the market's liking for the deepening U.S. business recession, carrying as that does a promise of slacker credit demand.

The out-of-date macroeconomic statistics have now started to confirm what was obvious a few weeks ago in America's basic industries. Unemployment rose to 8 per cent in October, which is 0.4 percentage points higher than the



peak in the Carter credit crunch recession last year. And all the signs are that it is getting worse, as reports on October retail sales and industrial production on Thursday and Friday of this week are expected to demonstrate.

Out there in the basic industries, car production is limping along at a 5.5m annual rate, the worst level of the 31-month slump in that beleaguered industry. But the production rate is still higher than the sales rate. Detroit just had its worst Ocober for over 20 years. Steel mill operations look certain to be heading below the trough of the Carter recession and mass lay-offs have started to take place among aerospace manufacturers, semiconductor makers, and appliance companies.

In other words, this recession, in spite of the absence of an official credit crunch, could be much worse than the last one. Certainly it will be much longer.

If that is so, Wall Street is back with an ugly and familiar political question. What will the administration and the Fed do to nurse the economy back to growth?

The administration declared part of its hand on Friday. It will abandon any hope of balancing the Federal budget, but will go on cutting taxes. Whether the Fed will also hit the throttle, as it did when President Carter panicked about recession, remains to be seen.

This time, the pressures on the Fed and the White House will be greater because the recession will look worse than it did in the summer of 1980. Corporate America's balance sheet has gone on deteriorating and there will be many more bankruptcies in the currencies crunch.

The bond market, of course, would not at all mind sacrificing a few corporations before the altar of inflation-fighting, but it is only a matter of time before the market starts to torment itself with worries that Mr Reagan no longer sees inflation as public enemy number one.

U.S. INTEREST RATES (%)

	Week to Nov 6	Week to Oct 31
Fed funds wkly. av.	14.81	14.50
3-month Treas. bills	12.19	12.67
3-month CD	14.10	14.70
30-year Treas. bond	14.02	14.58
AA Industrial	16.38	16.58
AAA Util.	15.63	15.88
30-day visible supply ($bn)	5.56	—

Source: Salomon Bros. and First Boston.

CURRENT INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Lead manager
U.S. DOLLARS						
†Banca de la Nacion Peru	25	1986	5	7Φ	100	ABC, Atlabank
‡Caterpillar Tractor	100	1986	5	16½	100	Goldman Sachs, Kuhn Loeb Lehman Bros., Merrill Lynch
‡††Standard & Chartered	100	1991	10	5¼Φ	100	Morgan Stanley
‡Newfoundland and Labrador Hydro	75	1988	7	17½	100¼	CCF
‡§Tokyu Land	15	1996	15	5½	100	Daiwa Securities
‡S. California Edison	75	1986	5	16½	100	CSFB
†Banco de la Provincia de Buenos Aires	50	1988	7	7¼Φ	100	Morgan Guaranty, Orion Royal
‡Saskatchewan	100	1988	7	16½	100¼	CSFB
‡SEK	75	1984/93	—	16¼	100	Morgan Stanley, CCF
Ontario Hydro	200	1991	10	16	*	Deutsche Bank
Bank of Montreal	150	1991	10	16½	*	UBS, Morgan Stanley
†Industrial Bank of Japan Fin. Co. NV	50	1988	7	5¼Φ	100	IBJ Intnl., Morgan Stanley
§Life Company	25	1996	15	6	100	Nikko Securities
†Security Pacific	100	1991	10	5¼Φ	100	CSFB
Offshore Mining Co.	150	1991	10	—	100	S. G. Warburg
CANADIAN DOLLARS						
‡Roy Nat	25	1986	5	17¼	100	Wood Gundy
D-MARKS						
Venezuela	100	1991	10	11¼	*	West LB
IADB	100	1991	10	10½	99	Deutsche Bank
SWISS FRANCS						
‡Bell Canada	100	1993	—	7½	100	UBS
‡Japan Air Lines	100	1991	—	7½	100¼	UBS
Norges Hypotekforening	50	1991	—	7¾	*	Nordfinan Bank
‡**Natomas	30	1987	—	8½	100	SBC
‡**Oest. Kontrollbank	40	1986	—	8½	100	Wirtschafts-und Privatbank
Oest. Kontrollbank	100	1991/93	—	7½	*	SBC
GUILDERS						
Credit Foncier de France	100	1996	15	13	*	Nederlandsche Middenstandsbank, AmRo Bank
YEN						
‡City of Stockholm	10bn	1993	10.32	8.8	99.95	Yamaichi Securities
ECUs						
Instituto Bancario San Paolo di Torino	30	1988	5½	14½	*	Credit Lyonnais, Kredietbank
KUWAITI DINARS						
‡World Bank	30	1991	6.5	10	89½	KIC, KIIC, KFTCIC

†† Registered with U.S. Securities and Exchange Commission. ¶ Purchase Fund. ‖ Cancelle
* Not yet priced. ‡ Final terms. ** Placement. † Floating rate note. Φ Minimum. § Convertible.
Note: Yields are calculated on AIBD basis.

INTERNATIONAL BONDS — **BY PETER MONTAGNON**

Market forges ahead

IT HASN'T HAPPENED in the Eurobond market for so long that many traders had virtually forgotten it was possible, but last week two new fixed rate issues were actually priced above par.

As the market forged ahead in record trading volume, Credit Commercial de France put a price of 100¼ on the 17½ per cent issue for Newfoundland and Labrador Hydro and Credit Suisse First Boston awarded the same price to the 16½ per cent bonds for the Canadian province of Saskatchewan.

Overall dollar bonds gained 2¼ points during the week, recovering from a slight setback on Friday morning to end up on a markedly strong note.

The decline of short-term interest rates—six month Eurodeposits fell 1½ points to 14¾ per cent over the week, the strength of the New York bond market, and further signs of recession in the U.S. economy all helped the trend.

So did the restraint of borrowers who might have been expected to crowd into such a strong market. Bankers point out, however, that some are now prepared to wait for lower coupons later, especially since short-term bridging finance has become much cheaper.

This augurs particularly well for the market, bankers argue, and investors apparently agreed as they began to buy bonds in increasing amounts last week. A further sign of strength came in the form of a $25m, 15 year convertible issue for the Life Company of Japan, the

FT International bond service appears today on Page 18

first Japanese convertible bond since this sector of the market came to a standstill in September.

Nonetheless there were occasional voices on Friday warning that with dealers building up long positions the market is increasingly vulnerable to any change in sentiment.

On Friday this was hard to envisage, although the large U.S. Government financing requirement still casts a long shadow over bond markets around the world.

Continental bond markets were also firm last week with D-mark foreign issues gaining ⅝ points and Swiss Franc bonds one point on average.

The D-Mark sector saw a record 11¼ per cent coupon offered by Venezuela, but even at this price the bonds were selling rather slowly as investors shied away from what they consider exotic risk.

In Switzerland terms were finalised on the minium SwFr 20m private placement for Transamerica Finance Corp. Investors will receive interest in Swiss currency at a rate of 8½ per cent, but the principal is repayable in U.S. dollars.

At market exchange rate last week each SwFr 1,000 note was worth $560. On maturity, investors will receive $1,000 as the dollar value of the principal will be increased to allow for the higher level of U.S. interest rates compared with Swiss.

The issue, believed to be the first of its kind in this market, thus promises investors a capital gain if the dollar is still above SwFr 1.00 when it matures in 1989.

The placement is led by Soditic of Geneva, while the borrower is being advised by Associated European Capital Corporation.

CREDITS — **BY ALAN FRIED**

New Zealand settles for a smaller bite

THE European Banking Company's optimism that it would obtain the full amount of its planned $500m Eurocredit for the Petroleum Corporation of New Zealand has proved unfounded. It was learned on Friday that the credit has been cut to $350m and supplemented instead with a $150m floating rate note led by S. G. Warburg for a Petrocorp subsidiary.

There were signs two weeks ago that the New Zealand credit was facing an uphill struggle in the market as EEC increased participant fees. The $350m credit is now divided into two tranches of $175m each and participation is 50 per through Japanese banks.

The first tranche is a five year revolving credit with a margin of ½ per cent above London interbank offered rate (Libor) for the first three years and 0.35 per cent thereafter.

The second tranche is a 10-year facility with a 7½-year grace period and spreads ranging from ¾ per cent in the first year to 0.45 per cent in the last five years.

EBC argued on Friday that although it had been a "tough deal," there had been enough subscriptions to achieve a $500m credit in the end.

Meanwhile, as speculation mounted as to which syndicate was to receive the mandate for Venezuela's planned $500m, ten-year credit, a DM 100m to DM 150m fixed-rate domestic German credit was arranged by WestLB for Venezuela.

The ten-year facility followed two days after a Venezuela D-mark foreign bond issue with a record 11¼ per cent coupon. WestLB said on Friday the credit would eventually be refinanced in bonds. It carries a five-year grace period and its interest rate will be determined on the basis of selected German ten-year bearer bonds.

The cost of the loan is expected to be lower than the 11¼ per cent price paid for the bonds, and the rate should be in the range of 11 to 11½ per cent.

There was good news last week for Ferrovie, the Italian state railway corporation which is making its third attempt to raise a credit of $400m to $500m. Lead manager S. G. Warburg reported the three-tranche deal had already topped $400m and would probably be closed this week.

It was also a good week for the Government of Malaysia, which saw its $650m Eurocredit oversubscribed and the amount increased to $700m. Bank Bumiputra said the 10-year loan also included an increased $170m special tax category tranche, up from $150m.

In a week in which several bankers predicted a declining flow of credits for the 1981, the third piece couraging news cam Electricite de France managed to pump it credit up to $700m. Th surprisingly strong fin credit which had a sh

Finally, Chemical P released the names of management group it a to provide Nafinsa of with a $500m part-SI dollar Eurocredit. Mer clude the Bank of Banque de l'Indochin Suez, Banque Natio Paris, Barclays Bank, Long Term Credit I Japan, Mitsubishi Ban dard Chartered, and St

[J.o.H / iil]

Copies of this Offer for Sale, having attached thereto the documents specified herein, have been delivered to the Registrar of Companies for registration. Application has been made to the Council of The Stock Exchange for the ordinary share capital of Exco International Public Limited Company ("Exco" or "the Company") issued and now being issued to be admitted to the Official List. This document includes particulars given in compliance with the Regulations of the Council of The Stock Exchange for the purpose of giving information with regard to the Company. The directors have taken all reasonable care to ensure that the facts stated herein are true and accurate in all material respects and that there are no other material facts the omission of which would make misleading any statement herein whether of fact or of opinion. All the directors accept responsibility accordingly.

The Application List for the ordinary shares now offered for sale will open at 10 a.m. on Thursday, 12th November, 1981, and may be closed at any time thereafter. The procedure for application is set out below.

EXCO

Exco International p.l.c.

(Incorporated in England under the Companies Acts 1948 to 1976 No. 1425001)

Offer for Sale

by

N.M. Rothschild & Sons Limited

of

14,500,000 ordinary shares of 10p each at 140p per share payable in full on application

The ordinary shares now offered for sale rank in full for all dividends declared or paid on the ordinary share capital of Exco after the date hereof.

SUMMARY OF INFORMATION

The following information should be read in conjunction with the full text of the Offer for Sale. Terms defined in the Chairman's Letter below bear the same meaning in this summary.

Business

Exco is the holding company for two leading London based international money brokers, the Astley & Pearce and Godsell Groups. It is one of the largest worldwide money-broking organisations, having an international network of offices in leading financial centres. Exco has recently expanded into bullion broking and, through an associated company in New York, acquired an interest in Telerate, a financial information services company.

Trading Record

The results of the Group, taken from paragraph 9 of the Accountants' Report, are summarised below:–

	Turnover	*Pretax Profit*
	£'000	£'000
Fifteen months ended 31st December, 1976	11,000	1,474
Years ended 31st December,		
1977	10,955	2,274
1978	12,295	1,867
1979	13,433	2,469
1980	24,297	5,987
Six months ended 30th June, 1981	16,684	5,002

Market Capitalisation

Following the Offer for Sale, the Company will have 42,500,000 ordinary shares in issue and a market capitalisation of £59.5 million at the Offer for Sale price.

Price Earnings Ratio

The Pro Forma Results in the Chairman's Letter show pretax profits, on the bases there stated, of £10.1 million and earnings attributable to shareholders of £4.2 million for the twelve month period ended 30th June, 1981. On this basis, earnings per share would have been 9.9p on the issued share capital following the Offer for Sale, giving an historic price earnings ratio of 14.1 times at the Offer for Sale price.

Dividends

On the basis of the Pro Forma Results referred to above, the directors would have recommended a total dividend of 4.5p per share. At the Offer for Sale price, this implies, at current tax rates, a gross dividend yield of 4.6 per cent.

SHARE CAPITAL

Authorised		*Issued and now being issued fully paid*
£5,250,000	in ordinary shares of 10p each	£4,250,000

INDEBTEDNESS

Save as disclosed in paragraph 10 of Statutory and General Information, and apart from intra-group liabilities, neither Exco nor any of its subsidiaries had outstanding at the close of business on 30th September, 1981, any loan capital including term loans (outstanding or created but unissued), mortgages, charges or other borrowings or indebtedness in the nature of borrowing, including bank overdrafts, liabilities under acceptances (other than normal trade bills) or acceptance credits, hire purchase commitments, material guarantees or other material contingent liabilities.

DIRECTORS

Hilton Swift Clarke FIB, (Chairman)
John Humphrey Gunn, BA, (Managing Director)
James Nicholas Milne Cheetham
Philip Joseph D'Angelo, (United States)
Michael Christopher McLaren Hume, MA, FIA, (Australia)
John Neville Irvine, MA, FCA, MBA
Poul Jespersen, HD, (Denmark)
Richard Clifford Lacy
William Edward Matthews, MA
John Norman George Moreton
John Gerard O'Neill
Richard Philip Worthington, BA
William Campbell Allan, CA
Richard Baden Bradley

all of 80 Cannon Street, London EC4N 6LJ.

Secretary and Registered Office
Michael Charles Johns, BA, Solicitor 80 Cannon Street, London EC4N 6LJ.

Issuing House
N.M. Rothschild & Sons Limited, New Court, St. Swithin's Lane, London EC4P 4DU.

Stockbrokers
Grieveson, Grant and Co. 59 Gresham Street, London EC2P 2DS.

Auditors and Reporting Accountants
Coopers & Lybrand Chartered Accountants, Abacus House, Gutter Lane, London EC2V 8AH.

Solicitors to the Company
Withers 20 Essex Street, Strand, London WC2R 3AL.

Solicitors to the Offer
Ashurst, Morris, Crisp & Co. Broadgate House, 7 Eldon Street, London EC2M 7HD.

Receiving Bankers
Barclays Bank Limited New Issues Department, P.O. Box 123, 2 London Wall Buildings, London Wall, London EC2P 2BU.

Bankers
The Royal Bank of Scotland Limited 62 Lombard Street, London EC3P 3DE.

Registrars
The Royal Bank of Scotland Limited 16 Old Broad Street, London EC2N 1DL.

The following is the text of a letter to N.M. Rothschild & Sons Limited from Mr. H.S. Clarke, Chairman of Exco International p.l.c.

The Directors,
N.M. Rothschild & Sons Limited

4th November, 1981

Dear Sirs,

I have pleasure in providing you with the following information in relation to Exco International p.l.c. ("Exco"), the holding company for the international group ("the Group") of money broking companies comprising Astley & Pearce Holdings Limited and its subsidiaries ("the Astley & Pearce Group") and Godsell Holdings Limited and its subsidiaries ("the Godsell Group"), in connection with your Offer for Sale of shares in Exco.

HISTORY

Exco, now one of the largest international money broking groups, can trace its origins back to 1931 when Astley & Pearce commenced business as a foreign exchange broker. The firm continued to trade until 1939 when the London foreign exchange market was closed at the start of the Second World War. When the market started up again in 1951, Astley & Pearce re-opened for business.

In 1968, Astley & Pearce Limited was acquired by P. Murray-Jones Limited ("PMJ"), a broker in both the sterling and currency deposit markets. In the same year, broking began in the local authority market, an activity now carried on by our subsidiary Buston's & M.M.B. Limited.

These four areas of foreign exchange, sterling, currency deposits and local authority broking remain the principal activities of our business in the United Kingdom.

We were the first of the London money brokers to expand overseas by setting up a network of offices in Europe, North America and the Far East. This development, which began in 1968 and continued through the early 1970's, forms the basis upon which we have been able to build the present international strength of Exco. PMJ also diversified into other financial areas including soft commodity broking, insurance broking and *à forfait* dealing and into manufacturing.

PMJ was originally owned by Mr. Murray-Jones. Gerrard & National p.l.c. acquired a 10 per cent. interest in 1966, which it increased to 48·5 per cent. in 1970. In 1975, Gerrard & National increased its interest in PMJ to some 92 per cent. The business reverted to trading under the Astley & Pearce name and management passed to the executive team which has remained essentially unchanged.

These executives carried through a major reorganisation of the Astley & Pearce Group's affairs. All material non-money broking activities, which had incurred significant losses, were closed or disposed of, enabling the management team to concentrate on strengthening the profitable money broking operations.

Steps in achieving this objective were taken in 1978, when our interests in the United States were merged with Daniel E. Noonan, Inc. to form Noonan, Astley & Pearce Inc. ("Noonans"), and when we became the first foreign owned money broker to obtain a licence to open a Tokyo branch.

In 1979, the executives, who had earlier acquired shareholdings in the Astley & Pearce Group, formed Exco to acquire the Gerrard & National controlling interest. Part of the finance was provided by a subsidiary of The British & Commonwealth Shipping Company Limited. This subsidiary, Cayzer, Gartmore Limited is now a significant shareholder in Exco through one of its subsidiaries. Later in 1979, Exco acquired the balance of the share capital of the Astley & Pearce Group.

During the late 1970's, the Astley & Pearce Group formed a close and mutually advantageous trading relationship with the Godsell Group by linking Godsell's London based business with the Astley & Pearce Group's international network. The success of this relationship led in 1980 to our acquisition of 67·5 per cent. of the Godsell Group, which further strengthened our position as a leading money broker. The remaining shares in the Godsell Group were held by senior executives of that group, and in February and March, 1981, these shares were exchanged for shares in Exco. At the same time, unit trusts managed by companies in the Save & Prosper Group together with Save & Prosper Pensions Limited purchased an 11 per cent. interest in Exco from executives.

In 1980, Exco began to broaden its interests into related activities, using its money broking experience and contacts. The first major development came when we took a majority interest in a Zurich based bullion broking business, which is run by directors of our local money broking subsidiary.

The second strategic step was taken in September, 1981, when Exco agreed to acquire an attributable 32 per cent. interest in Telerate, a financial information service, described in detail below, and, as part of the same transaction, to increase its holding in Noonans from 30 to 36 per cent.

BUSINESS

Exco's main activity is money broking. The contributions to profits before interest, taxation and minorities from money broking and from other activities in the six months ended 30th June, 1981 are set out below:

	£'000	%
Money Broking		
London, Dublin and Channel Islands	2,107	41
Other Europe	782	15
Far East	1,046	20
North America	405	8
	4,340	84
Other Activities	837	16
Profit before interest, taxation and minorities	5,177	100

MONEY BROKING

Money broking is the introduction and arrangement of financial transactions between two principals, normally banks. These transactions are mainly concerned with the purchase and sale of foreign exchange and the taking and placing of sterling or other currency deposits, as well as with trading money market instruments such as certificates of deposit. For this service, the broker receives a commission or brokerage, usually from both principals. The broker does not act as principal in these transactions, but only as an agent.

Rates of commission are reviewed periodically in all centres. Reviews are currently taking place in London and Singapore, which, if recent experience in other centres is repeated, are expected to result in the offer of discounts to high-volume customers. Exco would welcome this development, even though it might lead to some short term reduction in brokerage income, as it believes that in the long term it would work to the benefit of the larger broking groups. In some centres the local monetary or banking authorities are involved in the process of reviewing commission rates and in the supervision of the market. In these centres our offices work closely with the relevant authorities.

The money broking market is international, based in London, New York and other leading financial centres around the world. The volume of funds traded in the market has increased considerably in recent years because of the volatility of exchange rates and the growth in money supply in many countries. Exco is one of the largest worldwide money broking groups, having the essential international structure which enables it to provide a continuous service to its customers. Our business is so broadly based that we do not depend upon any single customer or individual broker. Our offices are linked with one another by a highly sophisticated communications network, enabling us to maintain round-the-clock contact with markets. Each office has direct telephone lines to leading banks and financial institutions in its region.

Banks and financial institutions transact business through Exco because of the service it provides, which combines an intimate knowledge of the state of the market, contact with a large number of potential principals throughout the world and the ability to obtain rates which are more competitive than those the principals could obtain by dealing directly with each other. Dealing through Exco also enables the principals to transact their business quickly and without making their positions known to the market. We provide the extremely complex and expensive communications network which individual principals would find unprofitable to set up and maintain for themselves.

London, Dublin and Channel Islands

The Astley & Pearce and Godsell Groups remain distinct businesses in London and trade from separate premises. Each business has its particular bank connections and market specialisations.

In London, Exco derives 37 per cent. of its operating profit from foreign exchange, 48 per cent. from foreign currency deposit and certificate of deposit business, and 15 per cent. from sterling inter-bank and local authority business. The Astley & Pearce Group has a leading role in the U.S. dollar/yen market. The Godsell Group is particularly strong in the U.S. dollar/sterling market and is also a leading broker in the U.S. dollar deposit market, being particularly known for its expertise in certificates of deposit.

Both the Astley & Pearce and Godsell Groups are brokers in the other main currencies traded in London. They both have offices in Dublin and the Channel Islands which are closely linked with the London operations.

Other Europe

Exco has subsidiaries in Zurich, Copenhagen and Luxembourg. The Zurich office is one of the two largest Swiss foreign exchange brokers and also provides an extensive currency deposit service. The Copenhagen subsidiary is the only Scandinavian based money broker. Exco at present owns 52 per cent. of its capital and has offered to acquire a further 25 per cent. interest from a company owned by the local managing director, P. Jespersen, who is a director of Exco. The Luxembourg office brokes euro-currency deposits with banks in Luxembourg and Austria.

In Frankfurt, Noonans has minority interests in the Ohms, Schmidt and Schmidt-Claasen partnerships, leading German foreign exchange and deposit brokers.

Far East

Exco has a significant presence in Far Eastern markets through well established subsidiaries in Singapore, Hong Kong and Tokyo, whose operations are strengthened by associated companies in the growing Kuala Lumpur and Manila markets. The Singapore and Hong Kong offices work closely together with business evenly split between foreign exchange and deposits. Throughout the area, the Group has a particularly strong presence in the U.S. dollar/yen and euro-currency deposit markets.

At present, the authorities in Tokyo only permit the brokers there to transact business between banks in Japan. When this limitation is removed, which we believe will happen in the foreseeable future, the Group should benefit materially as it did when a similar restriction in New York was removed in 1978.

In August this year, the Godsell Group took a 50 per cent. interest in a joint venture company in Australia called RFA-Godsell Pty. Limited which operates in the inter-company money markets. Partners in and associates of Ray Arthur & Co., a member firm of the Sydney Stock Exchange, hold the other 50 per cent. in the joint venture company.

North America

Exco, through its associated company, NAP Holding USA Inc. ("NAPH"), has an effective 36 per cent. interest in Noonans, one of the two large brokers in the New York market. Noonans also has branches in San Francisco and Toronto.

Noonans is a dominant force in the North American foreign exchange markets. In recent years, it has expanded into other money broking markets and now plays a major role in the euro-currency deposit and Term Federal Funds markets, and also brokes in the overnight Federal Funds and Bankers Acceptance markets. As an extension of its traditional money broking business, Noonans formed, in 1980, an 80 per cent. subsidiary, Noonan, Astley & Pearce Government Securities Inc., which trades as a principal in short term funds through repurchase agreements and in various arbitrage activities involving U.S. Government and Federal Agency securities and financial futures. The company protects itself by taking margins to minimise any loss which might arise should a customer default. Additionally, when contracts are entered into which are not matched as to maturity, the exposure to losses arising from adverse movements in interest rates is subject to limits imposed and actively monitored by management in New York.

Exco also has, through the Godsell Group, a 25 per cent. partnership interest in Mabon, Nugent-Godsell & Co., another leading New York broker which also has offices in San Francisco and Toronto. The partnership will, unless renewed, expire on 31st December, 1984.

These two brokers provide essential contact for the Group with the increasingly important United States markets.

OTHER ACTIVITIES

Exco's only other material activity is carried on by its 55 per cent. owned bullion broking subsidiary in Zurich, Astley & Pearce Metall AG. This company, which commenced operations in June 1980, was the first to provide a comprehensive bullion broking facility and very rapidly achieved a large volume of business with major bullion dealers in Europe, London, New York and Hong Kong.

Exco has a 20 per cent. interest in Guinness Peat Aval (Holdings) Limited, which deals as a principal in the *à forfait* paper and Eurobond markets. Both the Astley & Pearce and Godsell Groups have lease broking subsidiaries. As a result of negotiations which began early in 1981, Astley & Pearce Limited intends shortly to enter into a participation in a property development in the City. This company also has an investment in a film partnership, which has produced the film "Escape to Victory" and has, for many years, owned and operated a City wine bar. None of these operations is or is expected to become material.

TELERATE

On 20th October, 1981, NAPH, in which Exco now has an effective 36 per cent. interest, acquired 89.6 per cent. of Telerate Inc. ("Telerate") for US $75 million payable in January, 1982. US $35 million of the purchase price will be provided by the subscription of new capital in NAPH. Exco's contribution to this subscription is US$14.1 million also payable in January, 1982. The remaining interests in NAPH are effectively held by Guinness Peat Group Limited, The British & Commonwealth Shipping Company Limited, Cayzer, Gartmore Limited and its clients, and key staff in New York, including an attributable 2.5 per cent. by P.J. D'Angelo, a director of Exco. The balance of the finance will be provided by a term loan of US $40 million secured on NAPH's shares in Noonans and Telerate.

Telerate operates an international information service providing financial data on the foreign exchange, commodity and money markets, and displays the A.P. Dow Jones news service. The computerised information is displayed by on-line terminals located in customers' premises. Many of these customers are clients of Exco. At 30th September, 1981, Telerate had installed 4,228 terminals in the United States and 850 terminals abroad used by over 3,000 customers. It also has a substantial forward order book.

The information displayed on Telerate's screens is provided, under contractual arrangements, by leading financial institutions around the world. Telerate has about 10,000 pages of information on its system with a capacity of 20,000. The system allows for instantaneous up-date by all contributors. It is therefore an invaluable service for the ever increasing number of institutions which deal in the international financial markets.

The growth which Telerate has achieved is demonstrated by the following table:

	Years ended 31st August, 1977	1978	1979	Thirteen months ended 30th September, 1980	Year ended 30th September, 1981
Profit before taxation (US$'000)	1,017	1,725	3,894	7,487	13,662
Number of installed terminals at end of period	1,279	1,812	2,317	3,009	5,078

Telerate's expansion has been achieved mainly in the United States. Exco believes that Telerate has major potential for further development internationally to which Exco will make a significant contribution both by the continued provision of data for display and by the introduction of new customers through its offices in Europe and the Far East.

DIRECTORS

I joined the Astley & Pearce Group as non-executive Chairman in 1975. I retired from the Bank of England, where I had been Principal of the Discount Office, in 1967, and became a director of a number of City companies including The Charterhouse Group Limited of which I remain a director. I am 72 years old.

continued overleaf

EXCO

Exco International p.l.c.

John Gunn, aged 39, is Group Managing Director. He joined the Astley & Pearce Group in 1968 and was responsible between 1973 and 1978 for its foreign exchange and currency deposit business. He is Chairman of the Foreign Exchange and Currency Deposit Brokers' Association.

James Cheetham, aged 41, joined the Astley & Pearce Group in 1967. He is a director of the *Astley & Pearce Group's sterling department and Deputy Chairman of the Sterling Brokers'* Association.

Philip D'Angelo, aged 48, joined Noonans of which he is President and Chief Executive in 1956. He is the brokers' representative on the Federal Reserve Board's Foreign Exchange Committee and a *director of Guinness Peat Group Limited.*

Christopher Hume, aged 36, joined the Astley & Pearce Group in 1973 and was the resident director in charge of operations in the Far East from 1977 until 1981 when he returned to London. He is now involved in the Group's non-money broking activities.

John Irvine, aged 40, is Group Financial Director. After graduating from university and the European Business School, he qualified as a chartered accountant, specialising in management consultancy. After experience as financial director of other commercial organisations, he joined the Astley & Pearce Group in 1974.

Poul Jespersen, aged 41, joined the Astley & Pearce Group in 1968 as Managing Director of the Copenhagen office which opened in that year.

Richard Lacy, aged 33, joined the Astley & Pearce Group in 1966 and took charge of its Far East operations in 1972. Since his return to London in 1977, he has been director in charge of the Astley & Pearce Group's foreign exchange activities.

William Matthews, aged 41, joined the Astley & Pearce Group in 1972 as President of the Astley & Pearce Group's North American operations. On the merger with Noonans in 1978, he became a director of that company. He returned to London in 1980 as director in charge of the Astley & Pearce Group's euro-currency deposit activities.

John Moreton, aged 38, joined the Godsell Group in 1973 and, since then, he has had responsibility for the Godsell Group's euro-currency deposit operations. He became a director of Exco in 1981.

John O'Neill, aged 34, joined the Godsell Group in 1973 as director with responsibility for its foreign exchange operations after working with the Astley & Pearce Group for five years. He also became a director of Exco in 1981.

Richard Worthington, aged 40, joined the Astley & Pearce Group in 1970 and is responsible for its sterling deposit activities. Together with Christopher Hume he also has particular responsibility for the Group's planned involvement in the financial futures markets.

Campbell Allan, aged 49, became a non-executive director of Exco in 1979. He is a director of Cayzer, Gartmore Limited and of several listed investment trusts and other companies.

Richard Bradley, aged 43, became a non-executive director of Exco in 1981. He is a director of Save & Prosper Investment Management Limited.

GROUP ORGANISATION AND STAFF

Subsidiaries are managed by local boards of directors each of which includes at least one director of Exco. Considerable autonomy for the day to day management is delegated to these local boards. This policy of decentralised management is designed to ensure management succession and to avoid undue dependence on any single director.

The Group employs over 600 people of whom approximately 450 are brokers. A further 420 people are employed by associates.

Recognising its dependence upon the broking ability of its staff, and the importance of retaining them, the Group remunerates its employees, not only with competitive salaries and pensions, but also by profit sharing arrangements which give the broking staff a direct interest in the results of their offices.

To broaden share ownership in Exco among employees, Exco has adopted a share option scheme for senior executives, the rules of which are summarised in paragraph 11 of Statutory and General Information. In view of the significant shareholdings held by present directors, they will not participate in this scheme. In addition, we have reserved ten per cent. of the shares offered for sale for preferential application by employees.

REASONS FOR THE ISSUE AND RESULTANT SHAREHOLDINGS

The reasons for the Offer for Sale are to raise funds for the development of the Group and to enable some existing shareholders to dispose of part of their shareholdings. Exco will receive £10.5 million, net of expenses, of which it has committed approximately £7.5 million for the subscription of new capital in NAPH in connection with the acquisition of Telerate. Exco will apply approximately a further £0.6 million in increasing its interest in the Copenhagen subsidiary to 77 per cent. if its offer to acquire a further 25 per cent. is accepted. A further £1 million will be applied in repayment of borrowings.

Although there are no acquisitions planned, *it is expected that the listing will facilitate the use* of shares for expansion.

Following the Offer for Sale, the executive directors will own or have interests in 27 per cent. of the share capital in aggregate and each of them has undertaken not to dispose of any such shares for a period of one year. Employees, assuming they receive full allocation under the preferential application, will be interested in a further 15 per cent. of the enlarged capital. A further 18 per cent. will be owned by Cayzer, Gartmore Limited, 9 per cent. by unit trusts managed by companies in the Save & Prosper Group together with Save & Prosper Pensions Limited, and 31 per cent. by the public.

TRADING RECORD

The results of the Group and of its predecessor companies, including the Godsell Group from the date of its acquisition on 27th March, 1980, are summarised below:

	Fifteen months ended 31st December, 1976	Years ended 31st December, 1977	1978	1979	1980	Six months ended 30th June, 1981
	£'000	£'000	£'000	£'000	£'000	£'000
Profits from Money Broking Operations						
Astley & Pearce Group	1,660	2,219	1,804	2,058	3,774	2,620
Associated Companies	—	—	10	526	530	357
Godsell Group	—	—	—	—	1,128	1,191
Associated Companies	—	—	—	—	293	172
Other Activities (including Associated Companies)	(48)	49	31	26	740	857
Profit before interest and taxation	1,612	2,268	1,845	2,610	6,465	5,177
Net interest	(138)	6	22	(141)	(478)	(175)
Profit before taxation and minorities	1,474	2,274	1,867	2,469	5,987	5,002

These figures are based on information given in paragraph 9 of the Accountants' Report.

The particularly good results in 1977 were largely attributable to an excellent year for sterling broking. Profits in 1978 were held back by the costs of establishing the new broking operation in Tokyo and the move to new headquarters in London. During 1979, the Astley & Pearce Group began to benefit from its investment in the Far East and from the merger in New York.

In 1980, all our offices achieved significant growth in brokerage, the success of each one, by the nature of the business, contributing to the success of the others. Moreover, since a high proportion of our costs is fixed so that changes in income tend to have a disproportionate effect on profits at the pretax level, the £3.7 million increase in the Astley & Pearce Group's money broking turnover during the year led to a £1.7 million increase in its operating profit.

Also in 1980, Exco's figures incorporate for the first time the results of the Godsell Group following its acquisition on 27th March, 1980. These results accounted for £1.2 million of the increase in the Group's profit before taxation for 1980 after taking into account interest on the borrowings related to this acquisition. Exco also benefited in 1980 from a very significant contribution from its newly formed Swiss bullion broking subsidiary, which began trading in June.

In the first six months of the current financial year, in favourable market conditions, our money and bullion broking activities continued to prosper. Turnover again increased faster than the effects of inflation on costs with the result that operating profit margins improved further.

CURRENT TRADING

Turnover for the third quarter of the current year exceeded the levels achieved in either of the first two quarters. Although trading conditions have continued to be buoyant, the outcome for the fourth quarter remains uncertain, activity in world money markets in December being particularly difficult to predict. In addition, the profits of the Group will be affected by exchange rates prevailing at the year end when profits of overseas subsidiaries and associates for the whole year will be translated into sterling. For these reasons, the directors have decided not to make a forecast of the likely level of profits for the year ending 31st December, 1981, although we are confident that the outcome will be satisfactory.

PRO FORMA RESULTS AND NET TANGIBLE ASSETS

The following table sets out the results for the Group for the twelve months ended 30th June, 1981, together with a pro forma statement for this period reflecting the changes in the Group's capital structure and in its investments referred to in the note (ii) to the table.

	Twelve months ended 30th June, 1981 Note (i)	Pro forma twelve months ended 30th June, 1981 Note (ii)
	£'000	£'000
Profits from Money Broking Operations		
Astley & Pearce Group	4,782	4,782
Associated Companies	748	875
Godsell Group	1,851	1,851
Associated Companies	386	386
Other Activities (including Associated Companies adjusted in pro forma for Telerate)	1,501	2,038
Profit before interest and taxation	9,268	9,932
Net interest	(416)	173
Profit before taxation	8,852	10,105
Taxation	(4,615)	(5,266)
Profit after taxation	4,237	4,839
Minority interests in subsidiaries	(770)	(613)
Profit attributable to shareholders	3,467	4,226

Notes:

(i) *The results for the twelve months ended 30th June, 1981 have been prepared by reference to the audited accounts* of the Group for the year ended 31st December, 1980 and the six months ended 30th June, 1981. The audited results for the year ended 31st December, 1980 have been apportioned between the first and second halves of 1980 on the basis of the results shown by the Group's unaudited management accounts. The results of overseas subsidiaries and associated companies have been translated into sterling at the rates of exchange ruling at 30th June, 1981.

(ii) The pro forma results for the year ended 30th June, 1981 have been prepared by reference to the results described above, adjusted to:

(a) eliminate the interest on Convertible Loan Stock which has now been converted into ordinary shares;

(b) include as attributable to shareholders of Exco the minority interests in the Godsell Group which were acquired by Exco in February and March 1981;

(c) include a 36 per cent. (formerly 30 per cent.) contribution from NAPH, the results of which have been adjusted to reflect its new share capital structure and term loan and the results of Telerate assuming that these arrangements had been in effect throughout the period. The contribution from Telerate has been incorporated on the basis of unaudited management accounts for the year ended 30th April, 1981 (the date to which NAPH's accounts are made up) which showed pretax profits of US$10.7 million. The audited pretax profits of Telerate for the year ended 30th September, 1981 were US$13.7 million; and

(d) include notional interest at 14 per cent. per annum on the net proceeds of the issue of £3.0 million retained by *Exco following the allocation of £7.5 million to the transactions referred to in (c) above.*

The pro forma earnings of £4.2 million give rise to earnings per share of 9.9p on the assumption that the capital in issue following the Offer for Sale had been outstanding for the whole period. On this basis, the Offer for Sale price of 140p represents an historic price earnings ratio of 14.1 times.

On completion of the Offer for Sale, the net tangible assets of Exco, based on the audited consolidated balance sheet at 30th June, 1981, adjusted for the subsequent conversion of Convertible Loan Stock and the net proceeds of the issue, are estimated at £14.5 million.

DIVIDENDS

In the absence of unforeseen circumstances, my board intends to recommend a final dividend payable in June, 1982, in respect of the current financial year to 31st December, 1981, of 2.5p per share (which, together with the associated tax credit at current rates, is equivalent to 3.5714p per share gross). On the basis of the pro forma results set out above, we would have recommended a total dividend of 4.5p per ordinary share in respect of the *full* year had the Company been listed throughout that year. This would, at current tax rates, represent a gross yield of 4.6 per cent. on the Offer for Sale price of 140p.

We intend to apportion dividend payments between an interim payable in November and a *final dividend payable in June of each year.*

THE FUTURE

The directors believe that the pool of euro-currencies will continue to expand, that foreign exchange markets will remain highly volatile, and that banks and other major financial institutions *will, therefore, increasingly need the services of a money broker.*

We believe that Exco, as one of the world's largest international money brokers, is well placed to meet this growing demand. Exco already has well established offices linking the major financial centres and we therefore do not foresee the need for any material expense in expanding this network. Less well established rivals, however, would incur significant expense in attempting to set up a comparable network and could encounter difficulty in obtaining approvals or licences to commence business in certain centres.

The directors will seek to take advantage of new opportunities in related financial areas. An example of this is bullion broking. We believe that this relatively new service will continue to make a significant contribution to profits, and we intend to extend it to other centres. A further opportunity exists in the London Financial Futures market where we have purchased two seats.

I have referred above to the important acquisition of an interest in Telerate. We and our partners in this exciting venture intend to develop and extend this financial services information system which we believe has great profit potential. Our investment in Telerate also gives us an interest in what we consider to be a possible broking medium of the future.

In building up such new activities, the directors will seek to concentrate on opportunities where the expertise of existing management and the Group's excellent worldwide relationships with banks and financial institutions can be applied. Money broking, however, has been the foundation of Exco's success and we believe that it still offers such attractive prospects that it will remain our main source of income for the foreseeable future.

Yours faithfully, H. S. CLARKE, *Chairman.*

ACCOUNTANTS' REPORT

The following is the text of the report to the directors of N. M. Rothschild & Sons Limited and the Company from Coopers & Lybrand.

Abacus House, Gutter Lane, Cheapside,
London EC2V 8AH.

The Directors, N. M. Rothschild & Sons Limited,
New Court, St. Swithin's Lane, London EC4P 4DU.

The Directors, Exco International p.l.c.,
80 Cannon Street, London EC4N 6LJ.

4th November, 1981.

Gentlemen,

1. Exco International p.l.c. ("Exco"), formerly named Exco Securities (1979) Limited, was incorporated on 24th May, 1979.

2. On 13th September, 1979 Exco acquired for cash a 73.49 per cent. holding in the share capital of Astley & Pearce Holdings Limited, which holding was increased by 18th December, 1979 to 100 per cent. in consideration for the issue of shares and loan stock in Exco.

3. On 27th March, 1980 Exco acquired, through a partly owned subsidiary, for cash a majority interest in Godsell Holdings Limited and its subsidiaries ("the Godsell Group"). During February and March, 1981 the minority interests in the Godsell Group and the intermediate holding company were acquired in consideration for the issue of shares in Exco.

4. We have examined the audited accounts of Exco and it subsidiaries (together called "the Group") from 24th May, 1979, or subsequent date of incorporation or acquisition, to 30th June, 1981. The principal subsidiaries of the Group are set out in the schedule to this report. We have also examined the accounts of Astley & Pearce Holdings Limited, its predecessor holding company and their subsidiaries ("the Astley & Pearce Group") from 1st October, 1975, or subsequent date of incorporation or acquisition, to the date of acquisition by Exco.

5. The Group and the Astley & Pearce Group have been treated as one group for the purpose of this report, since the directors of Exco were also directors of Astley & Pearce Holdings Limited at the date of acquisition. The results of the Godsell Group, which was under the control of different management, have been included from 27th March, 1980, the date of acquisition by Exco. The results of the Godsell Group for earlier periods are set out in paragraph 9(d) below.

6. We have been the auditors of Exco, Astley & Pearce Holdings Limited and its predecessor holding company and of certain of their subsidiaries and associated companies in respect of all the accounting periods covered by our report. Subsidiary and associated companies identified in the schedule below audited by other firms represent approximately 22 per cent. of consolidated net assets at 30th June, 1981 and approximately 30 per cent. of consolidated profit after taxation for the period ended on that date.

7. *The financial statements which are set out in paragraphs 8 to 12 below are based on the audited accounts* of the Group and the Astley & Pearce Group. They have been prepared on the historical cost convention which permits the inclusion of certain assets at a revaluation and are after making such adjustments as we consider appropriate. In our opinion, these financial statements give a true and fair view of the profits and source and application of funds of the Group and the Astley & Pearce Group for the periods stated and of the state of affairs *of the Group at 30th June, 1981, according to the historical cost convention.*

8. ACCOUNTING POLICIES

The principal accounting policies adopted in arriving at the financial information set out in this report are as follows:–

(a) **Basis of consolidation**

The consolidated profit and loss accounts and balance sheet include the accounts of Exco, its predecessor holding companies and their subsidiaries made up to the end of each accounting period.

The results of subsidiaries acquired or disposed of during the period are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal.

Intra-group sales and profits are eliminated on consolidation and turnover and profit figures relate to external transactions only.

Goodwill arising on consolidation represents the excess of cost of shares in subsidiaries over the net tangible assets acquired and is carried forward unless, in the opinion of the directors, there has been a permanent diminution in value.

(b) **Associated companies and partnerships**

The Group's share of the results of its material associated companies and partnerships is included in the consolidated profit and loss account on the basis of the last audited accounts, or more recent management accounts where appropriate. The Group's share of post acquisition retained profits and reserves is added to the cost of the investments in the consolidated balance sheet.

(c) **Fixed assets**

Freehold and long leasehold properties are periodically revalued. Other fixed assets are stated at cost. Where fixed assets are revalued at an amount which is higher than cost, the revaluation surplus is credited to non-distributable reserves. Where the revalued amount is lower than cost the difference between cost and valuation is written off in the profit and loss account.

Depreciation is calculated to write off the cost or valuation of fixed assets on a straight line basis over the expected useful lives of the assets concerned. The principal annual rates are as follows:–

	Per cent. per annum
Freehold property	2
Furniture, fixtures and equipment	15-25
Motor vehicles	25-33⅓

Long and short leasehold properties are amortised over the remaining term of the lease, or 50 years if shorter.

(d) **Investments**

Investments are stated at cost, except that if there were a permanent diminution in value provision would be made.

(e) **Deferred taxation**

Taxation deferred as a result of material timing differences is provided at the rate of taxation ruling at the date of the balance sheet (the "liability method"), except to the extent that such taxation is not expected to become payable in the foreseeable future.

(f) **Foreign currencies**

Assets and liabilities and the results of overseas subsidiaries expressed in foreign currencies are translated into sterling at the rates of exchange ruling at the end of the accounting period.

Realised exchange differences are charged or credited to operating profit while unrealised exchange differences, which arise on translation, are dealt with through reserves.

(g) **Stocks**

Stocks are valued at the lower of cost and net realisable value.

(h) **Brokerage income**

Brokerage income is accounted for at the date of the transaction.

(i) **Extraordinary items**

All expenditure and income arising in the course of the Group's normal business is taken into account in arriving at the profit before taxation. Only expenditure and income which is outside normal trading operations is treated as extraordinary in the profit and loss account.

(j) **Pension scheme arrangements**

The pension schemes of the Group are funded externally. Payments made to the funds and charged annually in the accounts comprise current service contributions and back service contributions at rates based on actuarial advice.

9. CONSOLIDATED PROFIT AND LOSS ACCOUNTS

The consolidated profit and loss accounts of the Group and the predecessor Astley & Pearce Group for the six accounting periods ended 30th June, 1981 are as follows:–

	Notes	Fifteen months ended 31st December, 1976	Years ended 31st December, 1977	1978	1979	1980	Six months ended 30th June, 1981
		£'000	£'000	£'000	£'000	£'000	£'000
Turnover	(a)	11,000	10,955	12,295	13,433	24,297	16,684
Operating costs	(b)	9,388	8,738	10,488	11,349	18,649	12,074
Operating profit	(c) and (d)	1,612	2,217	1,807	2,084	5,648	4,610
Share of profits of associated companies and partnerships	(e)	—	51	38	526	817	567
Profit before interest and taxation		1,612	2,268	1,845	2,610	6,465	5,177
Net interest		(138)	6	22	(141)	(478)	(175)
Profit before taxation and extraordinary items		1,474	2,274	1,867	2,469	5,987	5,002
Taxation	(f)	949	1,133	938	1,521	3,274	2,667
Profit after taxation		525	1,141	929	948	2,713	2,335
Minority interests in subsidiaries		190	157	171	148	558	398
Profit after taxation and before extraordinary items		335	984	758	800	2,155	1,937
Extraordinary items	(g)	(253)	80	—	—	—	—
Profit attributable to shareholders		82	1,064	758	800	2,155	1,937
Dividends	(h)	—	—	—	—	78	—
Retained profit for the period		82	1,064	758	800	2,077	1,937

Earnings per share are set out in note (i).

Notes to the Consolidated Profit and Loss Accounts

(a) Turnover, which is exclusive of sales taxes, represents:–

(i) for money and other broking transactions, the invoiced brokerage charges for the period less commissions payable to third parties;

(ii) the invoiced value of goods sold or services provided for the period;

and arises as follows:–

	Fifteen months ended 31st December, 1976	Years ended 31st December, 1977	1978	1979	1980	Six months ended 30th June, 1981
	£'000	£'000	£'000	£'000	£'000	£'000
Money broking						
Astley & Pearce Group	10,698	10,684	12,000	13,095	16,794	10,560
Godsell Group	—	—	—	—	6,076	4,663
	10,698	10,684	12,000	13,095	22,870	15,223
Other activities	302	271	295	338	1,427	1,461
	11,000	10,955	12,295	13,433	24,297	16,684

(b) Operating costs include the following items:–

	Fifteen months ended 31st December, 1976	Years ended 31st December, 1977	1978	1979	1980	Six months ended 30th June, 1981
	£'000	£'000	£'000	£'000	£'000	£'000
Depreciation	308	229	259	290	485	386
Hire charges	146	121	140	146	143	120
Removal costs	—	—	160	110	—	—
Investment income	(4)	—	(27)	(19)	(19)	(38)

(c) The operating profit before interest and taxation arises as follows:–

	Fifteen months ended 31st December, 1976	Years ended 31st December, 1977	1978	1979	1980	Six months ended 30th June, 1981
	£'000	£'000	£'000	£'000	£'000	£'000
Money broking						
Astley & Pearce Group	1,660	2,219	1,804	2,058	3,774	2,620
Godsell Group	—	—	—	—	1,128	1,191
	1,660	2,219	1,804	2,058	4,902	3,811
Other activities	(48)	(2)	3	26	746	799
	1,612	2,217	1,807	2,084	5,648	4,610

The operating profit of the Godsell Group in 1980 represents the results for the period 27th March, 1980 (date of acquisition by Exco) to 31st December, 1980.

(d) For information, the turnover and operating profit before interest and taxation of the Godsell Group including its associated partnership for its last five accounting periods, based on the audited accounts, and after making such adjustments as we considered appropriate, were as follows:–

	Years ended 30th June, 1977	1978	1979	Eighteen months ended 31st December, 1980	Six months ended 30th June, 1981
	£'000	£'000	£'000	£'000	£'000
Turnover	3,451	3,072	4,725	11,018	4,732
Operating profit before interest and taxation	1,312	712	891	2,562	1,318

(e) The share of profits of associated companies and partnerships arises as follows:–

	Fifteen months ended 31st December, 1976	Years ended 31st December, 1977	1978	1979	1980	Six months ended 30th June, 1981
	£'000	£'000	£'000	£'000	£'000	£'000
Money broking	—	—	10	526	823	529
Other activities	—	51	28	—	(6)	38
	—	51	38	526	817	567

(f) The taxation charge comprises:–

	Fifteen months ended 31st December, 1976	Years ended 31st December, 1977	1978	1979	1980	Six months ended 30th June, 1981
	£'000	£'000	£'000	£'000	£'000	£'000
Parent company and subsidiaries						
U.K. corporation tax	416	735	482	500	1,716	1,305
Overseas taxation	509	352	389	586	888	961
Deferred taxation	24	17	53	151	229	92
	949	1,104	924	1,237	2,833	2,358
Associated companies and partnerships	—	29	14	284	441	309
	949	1,133	938	1,521	3,274	2,667

The effect of the disallowance of entertainment and other expenditure in the U.K. has been substantially offset by the lower effective rates of tax in overseas companies. In 1979, the high effective group rate of tax arose principally as a result of the additional taxation on the payment of dividends to Exco by overseas subsidiaries. Full provision has been made for deferred taxation in respect of timing differences.

(g) Extraordinary items comprise the following and are stated net of taxation:–

	Fifteen months ended 31st December, 1976	Years ended 31st December, 1977	1978	1979	1980	Six months ended 30th June, 1981
	£'000	£'000	£'000	£'000	£'000	£'000
Losses on disposal or liquidation of subsidiaries	(253)	(14)	—	—	—	—
Realised exchange profits on closure of certain overseas offices	—	94	—	—	—	—
	(253)	80	—	—	—	—

(h) Dividends

In 1980 dividends were declared at a rate of £5.808 per ordinary share of 10p each and were waived in respect of 85.7 per cent. of the ordinary shares of 10p each ranking for dividend.

(i) Earnings per share

Fully diluted earnings per share for the six months ended 30th June, 1981 were 6.1p per ordinary share of 10p *each (year to 31st December, 1980 7.9p per share) and have been calculated by reference to earnings of* £1,937,000 (1980 £2,155,000) increased by £44,000 (1980 £76,000) in respect of interest, net of taxation, on the 12 per cent. Convertible Subordinated Unsecured Loan Stock 1990 and a weighted average of 32,274,088 ordinary shares of 10p each in issue throughout the period (1980 28,085,112 shares) adjusted in respect of the forty-three for one bonus issue on 4th November, 1981. Earlier years' earnings per share have not been *calculated due to the changes in the structure of the Group.*

10. BALANCE SHEETS

The balance sheets of Exco and of the Group at 30th June, 1981 are set out below:–

Exco £'000		Notes	The Group £'000
—	Fixed assets	(a)	4,370
—	Goodwill arising on consolidation		4,100
—	Investments	(b)	320
3,695	Subsidiary companies	(c)	—
—	Associated companies and partnerships	(d)	1,534
—	Loans	(e)	709
3,695			10,833
	Current assets		
—	Stock		82
500	Dividends receivable from subsidiaries		—
48	Debtors		5,062
353	Bank and cash balances		3,366
901			8,510
	Current liabilities		
109	Creditors		2,985
—	Current taxation		3,691
—	Bank overdrafts and short term loans	(i)	221
78	Proposed dividend		78
187			6,975
714	Net current assets		1,535
4,409			12,368
56	Share capital	(f)	56
1,893	Non-distributable reserves	(g)	2,529
932	Retained profits	(h)	4,039
2,881	Shareholders' funds		6,624
—	Minority interests		503
1,528	12 per cent. Convertible Subordinated Unsecured Loan Stock 1990	(i)	1,528
—	Future taxation	(j)	2,651
—	Loans	(i)	1,062
4,409			12,368

Notes to the Balance Sheets

(a) The fixed assets of the Group at 30th June, 1981 were made up as follows:–

	Cost or Valuation £'000	Accumulated Depreciation £'000	Net Book Value £'000
Land and buildings			
Freehold	627	20	607
Long leasehold	749	4	745
Short leasehold	410	42	368
Furniture, fixtures and equipment	2,535	1,040	1,495
Motor vehicles	1,626	471	1,155
	5,947	1,577	4,370

Certain of the Group's overseas freehold and long leasehold properties were revalued during the year ended 31st December, 1980 by professional surveyors at open market value with existing use. These valuations were taken up in the accounts for that year and represent £834,000 of the amount included in the figures for land and buildings above. The balance of the Group's properties are held at cost.

At 30th June, 1981 the Group had contracted capital expenditure totalling £29,000.

(b) The Group's investments at 30th June, 1981 comprised:–

	£'000
Listed, at cost (market value £130,000)	122
Unlisted, at cost	198
	320

Included in unlisted investments is an interest in a film production partnership of £105,000.

(c) The investment in subsidiary companies at 30th June, 1981 is made up as follows:–

	£'000
Shares at cost	4,781
Amounts receivable	700
	5,481
Amounts payable	(1,786)
	3,695

The names of, and details of interests in, subsidiary companies are set out in the schedule to this report.

EXCO

Exco International p.l.c.

(d) Interests in associated companies and partnerships of the Group at 30th June, 1981 are made up as follows:—

	£000
Cost of shares	995
Share of retained profits	359
	1,354

The names of, and details of interests in, associated companies and partnerships are set out in the schedule to this report.

(e) Loans receivable principally represent secured housing loans at preferential interest rates made to members of staff.

(f) The share capital of Exco at 30th June, 1981 comprised:—

	£000
Authorised	
30,000,000 ordinary shares of 10p each	3,000
Issued and fully paid	
562,806 ordinary shares of 10p each	56

Since 30th June, 1981 the following changes have taken place in the share capital of Exco:—

(i) On 4th November, 1981 218,298 ordinary shares of 10p each were issued on conversion of the whole of the £1,528,086 nominal of the 12 per cent. Convertible Subordinated Unsecured Loan Stock 1990.

(ii) Subsequently, also on 4th November, 1981, 35,587,472 ordinary shares of 10p each were issued by way of a forty-three for one capitalisation issue.

(iii) The authorised share capital of the company has been increased to £5,250,000 divided into 52,500,000 ordinary shares of 10p each.

A further 8,131,424 ordinary shares of 10p each will be issued in connection with the Offer for Sale.

(g) The movements on non-distributable reserves were:—

	Astley & Pearce Group			Exco Group		
	Fifteen months ended 31st December, 1976	Years ended 31st December, 1977	1978	Years ended 31st December, 1979*	1980	Six months ended 30th June, 1981
	£000	£000	£000	£000	£000	£000
At beginning of period	224	688	468	—	—	928
Unrealised exchange profits/(losses)	191	(91)	135	(54)	(223)	301
Premium on issue of shares	—	—	—	—	—	1,608
Premium on issue of loan stock	—	—	—	—	285	—
Transfer (to)/from retained profits	156	(98)	(121)	54	355	(308)
Surplus on revaluation of properties	—	—	—	—	520	—
Other	137	(31)	(1)	—	(9)	—
At end of period	688	468	479	—	928	2,529

*On the acquisition by Exco of the Astley & Pearce Group in 1979, the consolidated non-distributable reserves of the Astley & Pearce Group were taken into account in the calculation of goodwill.

Non-distributable reserves at 30th June, 1981 comprised:—

	Exco	The Group
	£000	£000
Share premium	1,608	1,608
Loan stock premium	285	285
Surplus on revaluation of properties	—	446
Unrealised profits on exchange	—	79
Other	—	111
	1,893	2,529

(h) The movements on retained profits were:—

	Astley & Pearce Group			Exco Group		
	Fifteen months ended 31st December, 1976	Years ended 31st December, 1977	1978	Years ended 31st December, 1979*	1980	Six months ended 30th June, 1981
	£000	£000	£000	£000	£000	£000
At beginning of period	(518)	(572)	590	—	81	1,805
Retained profit for period	82	1,064	758	135*	2,077	1,937
Capitalisation issue	—	—	—	—	—	(9)
Transfer (to)/from non-distributable reserves	(136)	98	121	(54)	(355)	308
At end of period	(572)	590	1,469	81	1,805	4,059

*On the acquisition by Exco of the Astley & Pearce Group in 1979, the consolidated retained profits of the Astley & Pearce Group were taken up in the calculation of goodwill.

(i) Future taxation of the Group at 30th June, 1981 comprised:—

	£000
Deferred taxation	
Depreciation of fixed assets	549
Film master print	220
Other short term timing differences	(9)
Revaluation of fixed assets	26
ACT and other tax recoverable	(144)
	642
U.K. Corporation Tax payable after 1st October, 1982	1,565
Taxation of overseas subsidiaries payable after 1st July, 1982	444
	2,651

The amount provided in respect of deferred taxation represents the full potential liability except that no provision has been made for taxation of £170,000 payable by an overseas subsidiary in 1982 on a preceding year basis by reference to that subsidiary's results for 1981.

No provision has been made for any taxation which would become payable on the distribution of profits of overseas subsidiaries.

(j) Term loans of the Group at 30th June, 1981 are repayable as follows:—

	£000
Between 1 and 2 years	300
Between 2 and 5 years	762
	1,062

Short term loans of the Group at 30th June, 1981 include £156,000 which were secured.

(k) The Group has the following contingent liabilities:—

(i) The taxation liabilities of certain subsidiary companies have not, at 30th June, 1981, been agreed with the relevant tax authorities. There is therefore a possibility that the treatment of certain items of expenditure may be subject to alteration. The directors consider, however, that the potential liability that could exist in relation to these matters is unlikely to exceed £50,000.

(ii) A subsidiary has guaranteed bank loans totalling £28,000 to certain of its employees.

(iii) Exco has entered into forward foreign exchange contracts in connection with the increase in the capital of an associated company referred to in material contracts (xv) and (xxi) of the Offer for Sale.

(iv) Exco has given guarantees and indemnities in connection with the performance of an associated company and one of its subsidiaries as described in material contracts (xvi) and (xxiii) of the Offer for Sale.

(v) A subsidiary company is contingently liable to apportionment and interest on overdue taxation in respect of the year ended 30th June, 1977 as described in paragraph 8 of the Statutory and General Information section.

(vi) A subsidiary has given an indemnity against a proportion of any potential revenue losses of a film production as referred to in material contract (x) of the Offer for Sale.

(l) Since 30th June, 1981 the Group has:—

(i) Offered to acquire with effect from 1st January 1982 a further 25 per cent. of the share capital of Astley & Pearce (Scandinavia) AS on the basis explained in paragraph 3(vi) of the Statutory and General Information section.

(ii) Increased its effective interest in NAP Holding USA Inc. from 30 per cent. to 36 per cent. by agreeing to subscribe US$14.1 million for share capital in connection with the acquisition by NAP Holding USA Inc. of 89.6 per cent. of Telerate Inc. and given a guaranty and an indemnity in connection therewith as described in material contracts (xix) and (xx) of the Offer for Sale.

11. CONSOLIDATED SOURCE AND APPLICATION OF FUNDS

The consolidated source and application of funds of the Group and the predecessor Astley & Pearce Group for the six accounting periods ended 30th June, 1981 are as follows:—

	Fifteen months ended 31st December, 1976	Years ended 31st December, 1977	1978	1979 note (a)	1980	Six months ended 30th June, 1981
	£000	£000	£000	£000	£000	£000
SOURCE OF FUNDS						
Profit before taxation	1,474	2,274	1,867	2,469	5,987	5,002
Extraordinary items	(253)	80	—	—	—	—
	1,221	2,354	1,867	2,469	5,987	5,002
Items not involving the movement of funds:—						
Depreciation	308	229	259	290	486	386
Profit retained in associated companies	—	(51)	(38)	(404)	(590)	(97)
TOTAL GENERATED FROM OPERATIONS	1,529	2,532	2,088	2,355	5,883	5,291
FUNDS FROM OTHER SOURCES						
Issue of shares and loan stock	—	—	—	7	553	225
Term loans and loan repayments received	—	—	—	745	879	38
Sale of fixed assets, investments and associated company	250	182	226	295	231	534
	250	182	226	1,045	1,663	797
	1,779	2,714	2,314	3,400	7,546	6,088
Less:—						
APPLICATION OF FUNDS						
Investments and interest in associated companies acquired	(61)	—	(416)	(446)	(172)	(383)
Fixed assets acquired	(697)	(581)	(819)	(491)	(2,100)	(1,410)
Taxation	(701)	(862)	(1,058)	(618)	(640)	(266)
Loans advanced and loans repaid	(9)	(394)	(348)	—	(1,000)	(1,146)
Minority interests	(16)	(50)	(248)	(232)	(342)	33
Exchange and other adjustments	254	(121)	132	(54)	(211)	100
Goodwill on acquisition of subsidiary (note (b))	—	—	—	—	(2,515)	—
	(1,230)	(1,808)	(2,757)	(1,841)	(6,880)	(3,074)
	549	906	(443)	1,559	666	3,014
MOVEMENT IN WORKING CAPITAL						
Increase/(decrease) in working capital	543	257	(642)	672	(25)	1,452
Movement in net liquid funds	6	649	199	887	691	1,562
	549	906	(443)	1,559	666	3,014

Notes to the Consolidated Statement of Source and Application of Funds

(a) In 1979 Exco acquired the share capital of Astley & Pearce Holdings Limited, Exco Securities Limited and Exco Securities (1978) Limited for a total consideration of £4,531,000. The consideration, which, because the Group and the Astley & Pearce Group have been treated as one group for the purposes of this report, is not included in the statement above, was financed as follows:—

	£000
Issue of shares in Exco Securities Limited and Exco Securities (1978) Limited	478
Issue of loan stock	1,260
Term loans drawn	1,600
Bank overdraft	995
	4,331

(b) In 1980 Exco acquired a 75 per cent. interest in Exco Securities (1980) Limited, which company subsequently acquired a 90 per cent. interest in the Godsell Group. The cash consideration of £2,374,000 represented:—

	£000
Fixed assets	397
Goodwill arising on consolidation	2,515
Net liabilities	(538)
	2,374

12. CURRENT COST ACCOUNTS

Current cost accounting information in accordance with SSAP No. 16 has not been presented in respect of the six months ended 30th June, 1981 since, in the opinion of the directors, the results stated on a current cost basis would not be materially different from those under the historical cost convention. This opinion is supported by the fact that the effect of the application of SSAP No. 16 on the results for the year ended 31st December, 1980 was as follows:—

	£000	£000
Group historical cost profit after net interest and before associated companies and partnerships and taxation		5,170
Current cost adjustments		
Depreciation	64	
Fixed assets disposals	60	
Monetary working capital	130	
		(254)
		4,916
Gearing adjustment		194
Group current cost profit after net interest and before associated companies and partnerships and taxation		5,110

The current cost balance sheet at 31st December, 1980 may be summarised as follows:—

	£000	£000
Consolidated net assets as shown by historical cost accounts		2,738
Current cost adjustments		
Revaluation of fixed and other assets (net)	555	
Reduction in current cost profits	(60)	
		495
Consolidated current cost net assets		3,231

13. GENERAL

Audited accounts of the Group have not been prepared in respect of any period subsequent to 30th June, 1981.

Yours truly,
COOPERS & LYBRAND,
Chartered Accountants.

SUBSIDIARY AND ASSOCIATED COMPANIES AND PARTNERSHIP

Schedule to the Accountants' Report

Company	Date of Incorporation	Country of Incorporation	Nature of Business	Issued Share Capital	Percentage of Issued Capital Held
Astley & Pearce Holdings Limited	5th October, 1976	England	Holding Company	£600,000	100%
*Exco Securities (1980) Limited	31st December, 1979	England	Holding Company	£5,000	100%
Exco Securities Limited	30th November, 1976	England	Dormant	£157,972	100%
Exco Securities (1978) Limited	8th December, 1978	England	Dormant	£342,851	100%
Astley & Pearce Limited	13th September, 1965	England	Money Broking	£300,000	100%
Astley & Pearce Overseas Limited	24th July, 1975	England	Holding Company	£2	100%
Astley & Pearce (Sterling) Limited	6th November, 1979	England	Money Broking	£100	100%
Astley & Pearce (Foreign Exchange) Limited	6th November, 1979	England	Money Broking	£100	100%
Astley & Pearce (Eurocurrency Deposits) Limited	6th November, 1979	England	Money Broking	£100	100%
Buxton's & M.M.B. Limited	19th February, 1954	England	Local Authority Loan Broking	£1,500	100%
Astley & Pearce (Ireland) Limited	9th December, 1970	Eire	Money Broking	IR£100	100%
Astley & Pearce (Channel Islands) Limited	17th April, 1973	Guernsey	Money Broking	£7	100%
Bow Wine Vaults Limited	12th October, 1965	England	Wine Selling and Catering	£100	100%
Astley & Pearce (Japan) Limited	22nd November, 1977	England	Money Broking	£100,000	100%
Astley & Pearce (Finance) Limited	22nd November, 1978	England	Money Lending and Equipment Leasing	£2	100%
Astley & Pearce (Leasing) Limited	11th November, 1965	England	Lease Broking	£100	90%
Astley & Pearce (Curaçao) NV	2nd August, 1974	Netherlands Antilles	Holding Company	£10,000	100%
Astley & Pearce (Netherlands) BV	30th September, 1974	Netherlands	Holding Company	DFL2,750,000	100%
*Astley & Pearce (Scandinavia) AS	27th May, 1975	Denmark	Money Broking	DKr300,000	52% (b)
Astley & Pearce SA	9th December, 1969	Switzerland	Money Broking	SFr50,000	100%
Astley & Pearce Metall AG	25th March, 1980	Switzerland	Bullion Broking	SFr100,000	55%
Astley & Pearce (Benelux) SA	4th May, 1975	Luxembourg	Money Broking	LFr5,000,000	100%
Astbro Inc.	13th August, 1973	USA	Holding Company	US$100	100%
Burton E. Mason Inc.	17th March, 1971	USA	Dormant	US$5,000	100%
Astley & Pearce (Hong Kong) Limited	31st December, 1971	Hong Kong	Money Broking	HK$20	100%
Astley & Pearce (Far East) Limited	5th January, 1973	Hong Kong	Money Broking	HK$20	100%
Godsell (Far East) Limited	24th February, 1978	Hong Kong	Money Broking	HK$1,000	100%
Astley & Pearce (Pte) Limited	25th July, 1972	Singapore	Money Broking	S$100,000	100%
*Godsell Holdings Limited	20th July, 1979	England	Holding Company	£400,400	100%
*Godsell & Company Limited	27th September, 1920	England	Money Broking	£46,156	100%
*Godsell (L.D.A.) Limited	3rd March, 1972	England	Money Broking	£2,600	100%
*Godsell (Municipal) Limited	10th October, 1975	England	Local Authority Loan Broking	£1,000	100%
*L.D.A. Leasing Limited	3rd May, 1978	England	Lease Broking	£100	100%
*L.D.A. (Corporate Finance) Limited	27th April, 1977	England	Money Broking	£500	100%
*Godsell Ireland Limited	11th May, 1978	Eire	Money Broking	IR£10,000	100% (c)
*Dawson Money Brokers Ireland Limited	19th May, 1960	Eire	Money Broking	IR£2	100% (c)
*Godsell Newco Incorporated	21st December, 1979	USA	Money Broking	US$4,500	100%
*Godsell (L.D.A.) Channel Islands Limited	9th October, 1978	Guernsey	Money Broking	£100	100%
*NAP Holding USA Inc.	11th December, 1980	USA	Holding Company	US$2,000,000	30% (d)
KAF Astley & Pearce SDN BHD	18th January, 1974	Malaysia	Money Broking	Ringgit 50,000	40%
Guinness Peat Aval (Holdings) Limited	25th June, 1980	England	Holding Company	£10,000	20%
*Astley & Pearce (Ascan) Inc.	8th March, 1977	Philippines	Money Broking	Pesos 200,000	30%
*L.D.A. (Channel Islands) Limited	10th September, 1973	Jersey	Money Broking	£1,000	50%
*REA-Godsell Pty. Limited	19th March, 1981	Australia	Money and Lease Broking	A$2	50% (e)
*Mabon, Nugent-Godsell & Co.	Partnership	USA	Money Broking	N/A	25%

*Not audited by Coopers & Lybrand.

Notes:—

(a) All of the above companies incorporated in England are private. No subsidiary or associated company is listed on any stock exchange.

(b) Subsequent to 30th June 1981 the Group has offered to increase its interest to 77 per cent.

(c) Options to subscribe for shares have been granted to third parties exercisable on or before 1st January, 1986 which, if exercised in full, would reduce the Group's interest in Godsell Ireland Limited and its subsidiary Dawson Money Brokers Ireland Limited to 55 per cent.

(d) *Subsequent to 30th June, 1981 the Group has increased its effective interest from 30 per cent. to 36 per cent. in connection with the acquisition by NAP Holding USA Inc. of 89.6 per cent. of Telerate Inc.*

(e) Acquired subsequent to 30th June, 1981. This interest is held through a wholly owned subsidiary PKAD Pty. Limited.

STATUTORY AND GENERAL INFORMATION

Terms defined in the Chairman's letter contained above bear the same meaning in this information section.

1. SHARE CAPITAL

Exco was incorporated in England as a private company on 24th May, 1979 under the Companies Acts 1948 to 1976 and was converted into a public limited company on 21st September, 1981. Its registered number is 1423001.

Immediately following the Offer for Sale the authorised share capital of Exco will consist of £5,250,000 divided into 52,500,000 ordinary shares of 10p each. The issued share capital will consist of £4,250,000 divided into 42,500,000 ordinary shares of 10p each. Following the Offer for Sale there will remain unissued 10 million ordinary shares. Without the prior approval of Exco in general meeting:—

(i) no material issue of such shares will be made within 12 months (save to shareholders *pro rata* to existing shareholdings);

(ii) no issue of such shares will be made which would effectively alter the control of Exco;

(iii) no shares will be issued for cash other than on a *pro rata* basis to existing shareholders save for shares up to an aggregate nominal value of £212,500 which may, in the period ending at the conclusion of the annual general meeting to be held in 1[illegible] [illegible] issued other than *pro rata* pursuant to a special resolution of the Company passed on 4th November, 1[illegible]

No unissued ca[illegible] or, save as disclosed in paragraph 6 (i) below, of any of its subsidiaries is under option or agreed conditi[illegible] unconditionally to be put under option.

In the two years pre[illegible] the date of this Offer for Sale there have been the following issues of and changes in the share capital of Exco and its subsidiaries and of 12 per cent. Convertible Subordinated Unsecured Loan Stock 1990 of Exco ("the Convertible Loan Stock"). Save for such issues, no share or loan capital of Exco or of any of its subsidiaries has been issued (save to other members of the Group) within the two years immediately preceding the date hereof or is now proposed to be issued, fully or partly paid, either for cash or for a consideration other than cash.

A. Exco

At 12th December, 1979 the authorised share capital of Exco was £10,000 divided into 1,000,000 ordinary shares of 1p each of which 481,751 were in issue and there was also in issue £531,445 nominal of the Convertible Loan Stock.

(i) Between 13th and 18th December, 1979, pursuant to contracts entered into earlier in that year whereby Exco became the holding company for Astley & Pearce Holdings Limited,

(a) Exco issued £728,555 nominal of the Convertible Loan Stock to Cayzer, Gartmore Limited ("CGL"), then called St. Mary Axe Holdings Limited, of which W. Campbell Allan is a director, in consideration for the acquisition of CGL's shareholdings in companies with minority interests in Astley & Pearce Holdings Limited;

(b) Exco issued 8,500 ordinary shares of 1p each for cash at par to certain of its existing shareholders; of these J. N. M. Cheetham subscribed 801 shares, P. J. D'Angelo 356, J. H. Gunn 1,068, J. N. Irvine 512, R. C. Lacy 890, W. E. Matthews 890, R. P. Worthington 935, Husalko ApS, a company owned by P. Jespersen, 445 and Hemar Company Limited, a company owned by M. C. McL. Hume, 890; and

(c) Exco issued 209,749 ordinary shares of 1p each in consideration for the acquisition of direct and indirect shareholdings of directors and staff in Astley & Pearce Holdings Limited (see paragraph 6 (ii) to (iv) below).

On the completion of these transactions, the issued share capital of Exco comprised 700,000 ordinary shares of 1p each and there was in issue £1,260,000 nominal of the Convertible Loan Stock having attached the right to convert into a further 300,000 new ordinary shares of 1p each in Exco.

(ii) On 26th September, 1980, Exco issued £268,086 nominal of the Convertible Loan Stock at a premium of £284,698 to PATF Associates, a partnership comprising four senior employees of Noonans one of whom is P. J. D'Angelo; the total interest paid to PATF Associates up to 4th November, 1981 was £54,830. On the same date the authorised capital was increased to £11,000 divided into 1,100,000 ordinary shares of 1p each.

(iii) On 26th February, 1981, the authorised capital was increased to £30,000 divided into 3,000,000 ordinary shares of 1p each and Exco issued to certain employees of the Godsell Group 32,286 ordinary shares of 1p each at £6·983 per share for an aggregate cash consideration of £225,453.

(iv) On 3rd March, 1981, Exco issued 205,724 ordinary shares of 1p each as consideration for the acquisition of minority interests in Exco Securities (1980) Limited, the holding company of Godsell Holdings Limited (see paragraph 6 (xiv) below).

(v) On 9th March, 1981, Exco effected a capitalisation issue on a one for one basis comprising 938,010 ordinary shares of 1p each: the ordinary shares previously in issue were converted into deferred shares; and the authorised and issued capital of Exco was consolidated into ordinary and deferred shares of 10p each so that there were 93,801 ordinary and 93,801 deferred shares of 10p each in issue.

(vi) On 29th June, 1981, the deferred shares of 10p were converted into ordinary shares of 10p; the authorised capital was increased to £3,000,000 divided into 30,000,000 ordinary shares of 10p each; and Exco effected a capitalisation issue on a two for one basis comprising 375,204 ordinary shares of 10p each.

(vii) On 4th November, 1981, the whole of the £1,528,086 nominal of the Convertible Loan Stock was converted into 218,298 ordinary shares of 10p each in Exco, increasing the number of issued ordinary shares to 781,104.

(viii) On 4th November, 1981, the authorised capital was increased to £5,250,000 divided into 52,500,000 ordinary shares of 10p each and Exco effected a capitalisation issue on a 43 for 1 basis, comprising 33,587,472 ordinary shares of 10p each.

(ix) On 4th November, 1981, pursuant to the Offer for Sale contract referred to in paragraph 6 (xxiv) below, N. M. Rothschild & Sons Limited agreed *inter alia* subject to the conditions therein contained, to subscribe for 8,131,424 ordinary shares of 10p each in Exco at 137.2p per share.

B. Exco Securities (1980) Limited ("Exco 1980")

(i) On 20th March, 1980, 2,250 ordinary shares of 10p of Exco 1980 were issued for a cash consideration of 10p per share to certain executives of Godsells, 875 of these shares being issued to each of J. N. G. Moreton and J. G. O'Neill. On 26th March, 1980, these shares were converted into "A" shares and 6,750 "B" shares of 10p each were issued for cash at par to Exco.

(ii) On 27th February, 1981, Exco 1980 acquired the outstanding minority interests in the ordinary share capital of Godsell Holdings Limited in exchange for the issue of 1,000 ordinary shares of 10p each credited as fully paid, thus increasing its capital to 10,000 shares (see paragraph 6 (xiii) below).

(iii) On 2nd March, 1981, all "A" and "B" shares were designated as ordinary shares and Exco 1980 effected a one for one rights issue at 20p per share, giving rise to the issue of 10,000 ordinary shares of 10p each, 1,125 of these shares being allotted to each of J. N. G. Moreton and J. G. O'Neill; the 10,000 ordinary shares previously in issue were converted into deferred shares of 10p each.

(iv) On 3rd March, 1981, Exco 1980 effected a capitalisation issue giving rise to the issue of 10,000 ordinary shares of 10p each, 1,125 of these shares being allotted to each of J. N. G. Moreton and J. G. O'Neill and 649 to CGL; the 10,000 ordinary shares issued on 2nd March, 1981 were converted into deferred shares of 10p.

C. Godsell Holdings Limited ("GHL")

(i) On 21st December, 1979, 25 ordinary shares of £1 each were issued at par to each of four executives of the Godsell Group, amongst whom were J. N. G. Moreton and J. G. O'Neill.

(ii) On 20th March, 1980, a further 9,975 ordinary shares of £1 each were issued at par to each of the four executives, amongst whom were J. N. G. Moreton and J. G. O'Neill.

(iii) On 20th March, 1980, in connection with the purchase of the Godsell Group from Marlon House Holdings Limited, GHL issued 360,000 new ordinary shares of £1 each in consideration for the transfer to it by Marlon House Holdings Limited of all the issued share capital of Godsell (L.D.A.) Limited and Godsell & Company Limited (see paragraph 6 (v) below).

(iv) On 20th March, 1980, GHL effected a capitalisation issue of 200 ordinary shares of £1 each and the previously issued ordinary shares were converted into deferred shares of £1, 5 of the ordinary shares being issued to each of J. N. G. Moreton and J. G. O'Neill and 180 being issued to Exco.

(v) On 27th February, 1981, GHL effected a rights issue of 200 new ordinary shares of £1 each at par which was taken up as to 180 shares by Exco 1980 and as to 5 shares by four senior employees of the Godsell Group, amongst whom were J. N. G. Moreton and J. G. O'Neill.

D. Subsidiaries of GHL

In connection with the acquisition of GHL by Exco 1980, on 20th March, 1980, Godsell & Company Limited effected a capitalisation issue of 400 new ordinary shares of 25p each and Godsell (L.D.A.) Limited of 200 new ordinary shares of 50p each.

E. Other Companies in the Group

(i) On 2nd April, 1980, Astley & Pearce Metall AG allotted 90 bearer shares for the total sum of SFr 45,000 and, on 21st May, 1980, 110 bearer shares were taken up by Astley & Pearce (Netherlands) BV for SFr55,000.

(ii) On 2nd November, 1981, Astley & Pearce (Scandinavia) AS issued by way of capitalisation 156,000 A shares to Astley & Pearce (Curaçao) NV, 69,000 A shares to twelve employees of Astley & Pearce (Scandinavia) AS and 75,000 B shares to Husalko ApS which is wholly owned by P. Jespersen.

2. ARTICLES OF ASSOCIATION

The Articles of Association of the Company, contain *inter alia*, provisions to the following effect:—

Voting

(i) Subject to any rights or restrictions for the time being attached to any class or classes of shares, on a show of hands every member who is present in person at a general meeting of the Company shall have one vote, and on a poll every member who is present in person or by proxy shall have one vote for every fully paid share of which he is the holder.

(ii) If compliance is not made with any notice given by the Company requiring the disclosure under the Companies Acts of the beneficial interest in any shares, not less than 42 days after service of the notice, the Company may disenfranchise those shares until the requirement is complied with to its satisfaction.

Issue of Shares

Subject to any directions which may be given by the Company in general meeting, the directors may unconditionally exercise the power of the Company to allot relevant securities (within the meaning of section 14 (10) of the Companies Act 1980) to such persons (including the directors themselves) on such terms and at such times as they may think proper (subject to a maximum aggregate nominal amount of £1,000,000) and the authority so conferred on the directors shall expire on 3rd November, 1986.

Directors

(i) The directors shall be entitled to fees totalling in aggregate £30,000 per annum or such other amount as the Company may by ordinary resolution determine, such fees to be divided amongst the directors as they may determine, failing which equally; each director shall also be entitled to be paid all expenses properly and reasonably incurred by him in the conduct of the Company's business or in the discharge of his duties as a director.

(ii) Any director, who, by request, goes or resides abroad for any purposes of the Company or who performs services which in the opinion of the directors, go beyond the ordinary duties of a director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the directors may determine.

(iii) No shareholding qualification is required of a director.

(iv) A director shall not vote on any resolution of the board in respect of any contract or arrangement or other proposal in which he is interested. However, a director shall be entitled to vote in respect of:—

(a) the giving of any security or indemnity to him in respect of money lent or obligations incurred by him at the request of or for the benefit of the Company or any of its subsidiaries;

(b) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which he himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;

(c) any proposal concerning an offer of shares or debentures or other securities of or by the Company or any of its subsidiaries for subscription or purchase in which offer he is or is to be interested as a participant in the underwriting or sub-underwriting thereof;

(d) any proposal concerning any other body corporate in which he is interested directly or indirectly whether as officer, shareholder or otherwise, provided that he is not the holder of or beneficially interested in one per cent. or more of any class of the equity share capital of such body corporate (or of any third body corporate through which his interest is derived) or of the voting rights available to members of the relevant body corporate;

(e) any proposal concerning the adoption, modification or operation of a superannuation fund or retirement, death or disability benefit scheme under which he may benefit and which has been approved by, or is subject to and conditional upon approval by the Inland Revenue for taxation purposes.

(v) A director may be, or may become, a director, or other officer or otherwise interested in any body corporate promoted by the Company, or in which the Company may be interested as a shareholder or otherwise, and no such director shall be accountable to the Company for any remuneration or benefits received by him as a director or officer of, or from his interest in, such body corporate unless the Company otherwise directs.

(vi) The directors may appoint one or more of their number to the office of managing or executive director on such terms as they think fit.

(vii) The statutory provisions concerning an age limit for directors apply to the Company.

(viii) The directors on behalf of the Company may pay a gratuity, pension or allowance on retirement to any director who has held any salaried office or place of profit with the Company or to his widow or dependants and may make contributions to any fund and pay premiums for the purchase or provision of any such gratuity, pension or allowance.

(ix) There are provisions concerning the retirement by rotation of directors of the Company other than managing or executive directors.

Borrowing Powers

The directors may exercise all the powers of the Company to borrow money, but shall restrict the borrowings of the Company and its subsidiaries ("the Group") so as to ensure that the aggregate principal amount outstanding of all borrowings by the Group (exclusive of intra-group borrowings) shall not, without the previous sanction of an ordinary resolution of the Company, exceed a sum equal to two and one half times the aggregate of the paid-up share capital of the Company, and the total of the capital and revenue reserves (as more particularly defined in the Articles of Association but excluding *inter alia* goodwill) of the Group as shown in the latest audited consolidated balance sheet of the Company (adjusted as appropriate in accordance with the Articles of Association).

Class Rights

All or any of the rights attached to any class or classes of shares may, subject to the provisions of section 72 of the Companies Act 1948, be varied or abrogated either with the consent in writing of the holders of three-fourths of the nominal amount of the issued shares of that class or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of the issued shares of that class but not otherwise.

3. DIRECTORS' INTERESTS

(i) After the disposals under the Offer for Sale contract referred to in paragraph 5 below, the beneficial interests of the directors in the issued share capital of the Company as they will appear in the register maintained under the provisions of the Companies Act 1967, will be as follows:—

Director	*Ordinary Shares*
J. N. M. Cheetham	959,616
P. J. D'Angelo (including shares held by PATF Associates)	1,458,554
J. H. Gunn	1,271,517
M. C. McL. Hume	1,050,405
J. N. Irvine	635,620
P. Jespersen	789,888
R. C. Lacy	1,050,311
W. E. Matthews	1,050,311
J. N. G. Moreton	1,036,266
J. G. O'Neill	1,036,266
R. P. Worthington	1,105,566
R. B. Bradley	nil
W. Campbell Allan	nil
H. S. Clarke	nil

There are no non-beneficial interests.

(ii) Save as disclosed in paragraph 1 above, in subparagraphs (vi), (viii), (ix) and (x) of this paragraph and in paragraphs 6 and 7 below, no director of the Company has or had any interest, direct or indirect, in any assets which, within two years before the date hereof, have been or are proposed to be acquired or disposed of by or leased to, the Company or any of its subsidiaries.

continued overleaf

EXCO

Exco International p.l.c.

(iii) Save as disclosed in (vi) and (ix) of this paragraph, no contract or arrangement subsists in which a director of the Company is materially interested and which is significant in relation to the business of the Company and its subsidiaries taken as a whole.

(iv) (a) During the year ended 31st December, 1980, the aggregate emoluments paid to the directors who held office during that year amounted to £807,000 (1979, including Astley & Pearce Holdings Limited, £509,000).

(b) It is estimated that under existing arrangements the aggregate of the directors' emoluments for the year ending 31st December, 1981, will be approximately £762,000.

(c) In addition, certain directors received emoluments totalling £97,000 and £52,000 for the years ended 31st December, 1979 and 1980 respectively for their services to an associated company and, it is estimated, will receive a further £65,000 for such services in the year ending 31st December, 1981.

(v) All the directors' contracts of employment are determinable by the Company within one year without payment of compensation (other than statutory compensation) save for P. J. D'Angelo's (referred to in sub-paragraph (ix)) and for P. Jespersen's which contract may not be terminated before 1st January, 1984. P. Jespersen is paid an annual salary of Danish Kroner 477,780 under this contract subject to indexation increases.

(vi) Husalko ApS (which is wholly owned by P. Jespersen and whose address is Loenholtvej 8, 3480 Fredensborg, Denmark) owns 75,000 B shares in Astley & Pearce (Scandinavia) AS ("Scandinavia") which comprises 25 per cent. of the issued share capital of Scandinavia. The B shares are entitled to a preferential 13 per cent. divided and entitled to share *pari passu* in any further dividends declared. By a letter of offer dated 14th September, 1981, Astley & Pearce (Curaçao) NV has offered irrevocably to acquire from Husalko ApS its holding of B shares in Scandinavia at a price equal to 25 per cent. of eight times the post-tax profits of Scandinavia for the year ending 31st December, 1981, as shown in the audited accounts of Scandinavia. Such offer may be accepted by Husalko ApS on or before 28th January, 1982. If such offer is accepted Astley & Pearce (Curaçao) NV has undertaken to procure that Scandinavia will pay to P. Jespersen Danish Kroner 1,000,000 upon his employment with Scandinavia ceasing for any reason.

(vii) R. B. Bradley is employed by Save & Prosper Group Limited, a subsidiary of which holds shares in Exco and other subsidiaries of which manage the unit trusts which hold shares in Exco. W. Campbell Allan is a director of Cayzer, Gartmore Limited and holds warrants to subscribe for shares in that company. P. J. D'Angelo is a director of Guinness Peat Group Limited and is an equal partner with three other senior employees of Noonans in PATF Associates.

(viii) J. G. O'Neill is entitled to subscribe for 2,727 B Shares in the capital of Godsell Ireland Limited on or before 1st January, 1986 for the sum of £1 per share (see paragraph 6 (i) below).

(ix) P. J. D'Angelo has an interest in 8.3 per cent. of the issued share capital of NAP Holdings U.K. Limited giving an effective 2.5 per cent. interest in Noonans and 2.2 per cent. interest in Telerate. P. J. D'Angelo has a contract of employment with Noonans at a salary of US $125,000 per annum expiring on 30th April, 1985.

(x) In July, 1981, each of J. N. G. Moreton and J. G. O'Neill transferred 10,005 deferred shares of £1 each in GHL to Exco 1980 for 1p per share.

4. SIGNIFICANT INTERESTS IN THE COMPANY

On completion of the Offer for Sale contract, there will be the following significant interests in the issued share capital of the Company:–

	Ordinary Shares	Percentage of Issued Share Capital
Royal Bank Save & Prosper Nominees Limited	2,057,352	4.8
Bank of Scotland Nominees (Save & Prosper) Limited	1,487,376	3.5
Save & Prosper Pensions Limited	233,376	0.6
	3,778,104	8.9
Cayzer, Gartmore Limited (through a subsidiary)	7,756,016	18.2

5. OFFER FOR SALE CONTRACT

Under the Offer for Sale contract referred to in paragraph 6 (xxiv) below, N.M. Rothschild & Sons Limited has agreed, subject to the Council of The Stock Exchange admitting the whole of the issued share capital of the Company to the Official List not later than 13th November, 1981, to purchase from certain existing shareholders of the Company listed below a total of 6,368,576 ordinary shares at 137.2p per share and to subscribe for a further 8,131,424 ordinary shares at a price of 137.2p per share and to offer all such shares for sale at 140p per share.

N. M. Rothschild & Sons Limited will pay underwriting commissions of 1¼ per cent. of the price at which the shares are being offered for sale and a fee to the brokers. The Company will pay a fee to N. M. Rothschild & Sons Limited (out of which N. M. Rothschild & Sons Limited will pay its own legal expenses) and all other expenses of or incidental to this Offer for Sale. The expenses payable by the Company are estimated to amount to approximately £700,000 inclusive of V.A.T. and also of capital duty amounting to £127,000. The net proceeds of the issue are estimated to be £10.5 million.

The vendors and the number of shares being sold under the Offer for Sale contract are summarised as follows:–

Vendor	Ordinary Shares
Directors and related interests (other than PATF Associates)	4,122,081
Morepatty Limited, a subsidiary of Cayzer, Gartmore Limited	948,460
PATF Associates	435,521
Other employees of the Group and related interests	862,514

Each director has sold 30 per cent. of his shareholding (including related interests) with the exception of P. Jespersen and his related interests who have sold none.

6. MATERIAL CONTRACTS OF THE COMPANY AND ITS SUBSIDIARIES

The following contracts, not being contracts in the ordinary course of business, have been entered into within the two years immediately preceding the date hereof by the Company or its subsidiaries and are, or may be, material:–

(i) Agreements made 7th December, 1979 between Godsell Ireland Limited and each of P. E. Trenier, J. G. O'Neill and A. W. Gibbons, whereby Godsell Ireland Limited granted Messrs. Trenier, O'Neill and Gibbons options exercisable at any time on or before 1st January, 1986 to subscribe for 4,545, 2,727 and 909 B shares in Godsell Ireland Limited respectively for the sum of £1 per share so that the total number of shares in issue if all options are exercised will be increased from 10,000 shares to 18,181 shares.

(ii) Agreements dated 13th December, 1979, between Exco and each of J. N. M. Cheetham, J. H. Gunn, J. N. Irvine, R. P. Worthington and R. E. Haslehurst for the acquisition by Exco (then called Exco Securities (1979) Limited) of the 786, 786, 786, 786 and 113 ordinary shares of £1 each held by each vendor respectively in Exco Securities Limited leading to the issue of 11,716, 11,716, 11,716, 11,716 and 1,685 ordinary shares of 1p each in Exco respectively. A similar number of deferred shares of £1 each was acquired by Exco from each respective vendor for 1p a share.

(iii) Agreements dated 13th December, 1979, between Exco and each of J. N. M. Cheetham, J. H. Gunn, M. C. McL. Hume, J. N. Irvine, R. C. Lacy, W. E. Matthews, M. Wolf, R. P. Worthington, J. Kramer, A. J. N. Allwright, G. C. M. Barker and V. D. A. Payne for the acquisition by Exco of the 259 ordinary shares of £1 each in Exco Securities (1978) Limited owned by each of Messrs. Cheetham, Gunn, Hume, Irvine, Lacy, Matthews, Wolf and Worthington and the 200 ordinary shares of £1 each held by each of Messrs. Kramer, Allwright, Barker and Payne in Exco Securities (1978) Limited on the basis of 50 ordinary shares of 1p each in Exco for each ordinary share in Exco Securities (1978) Limited. A similar number of deferred shares of 1p each was acquired by Exco from each respective vendor for 1p a share.

(iv) Agreements dated 13th December, 1979, between Exco and each of P. Jespersen, R. C. Lacy and J. A. Willetts for the acquisition by Exco of the 660, 600 and 500 ordinary shares of £1 each held by them respectively in Astley & Pearce Holdings Limited on the basis of 10 ordinary shares of 1p each in Exco for each of the shares in Astley & Pearce Holdings Limited. Exco also purchased for 1p a share the 3,300, 3,000 and 2,500 deferred shares of £1 each in Astley & Pearce Holdings Limited, owned by the respective vendors.

(v) An Agreement made 20th March, 1980 between Marlon House Holdings Limited (1) and GHL (2) whereby in consideration of the issue of 360,000 ordinary shares of £1 each in GHL credited as fully paid to Marlon House Holdings Limited and the payment of £36,000 in cash, Marlon House Holdings Limited transferred to GHL all the issued share capital of Godsell & Company Limited, Godsell (L.D.A.) Limited and Godsell Ireland Limited.

(vi) An Agreement made 27th March, 1980 between Marlon House Holdings Limited (1), D. L. Hagan, J. A. Jessop, D. M. L. Langton, R. G. W. Porter and R. A. Sanders (2) and Exco 1980 (then called Chivreel Limited) (3) whereby Exco 1980 purchased 360,000 deferred shares of £1 and 180 ordinary shares of £1 of GHL comprising 90 per cent. of the share capital of GHL for the sum of £1,853,974 payable as to £853,974 on completion and £1,000,000 by the issue of a bill payable on 2nd January, 1981. Exco 1980 also undertook to procure that Godsell & Company Limited would pay the sum of approximately £360,000 to the Inland Revenue in respect of taxation liabilities for the year to 30th June, 1978 and the sum of £520,000 to the Inland Revenue on account of potential taxation liabilities of Godsell & Company Limited for the year to 30th June, 1977. Under the terms of the Agreement, to the extent that the Inland Revenue refunds any of the £520,000, this sum is payable to the vendors of the shares in GHL as additional consideration. The Agreement contains warranties in favour of Exco 1980.

(vii) A Deed of Indemnity made 27th March, 1980 between Marlon House Holdings Limited, D. L. Hagan, J. A. Jessop, D. M. L. Langton, R. G. W. Porter and R. A. Sanders (1), GHL (2) and Exco 1980 (3) whereby the parties of the first part indemnified the Godsell Group and Exco 1980 against taxation arising other than in the ordinary course of business of the Godsell Group after 1st July, 1979. Marlon House Holdings Limited is now in members' voluntary liquidation.

(viii) An Agreement made 27th March, 1980 between CGL (1) and Exco (2) whereby Exco granted CGL an option exercisable or or after 1st April, 1983 to acquire 7.5 per cent. of the issued share capital of Exco 1980 from Exco at par. By oral agreement this option was subsequently exercised on 2nd March, 1981 at par in respect of 6.49 per cent. of the share capital of Exco 1980 as an acknowledgement of early exercise of the option.

(ix) A Partnership Agreement dated as of 1st January, 1980 between Mabon, Nugent & Co. and Godsell Newco Incorporated under which Godsell Newco Incorporated has a 25 per cent. interest in a five year partnership carrying on money broking in New York, supplemented by an exchange of correspondence between Mabon, Nugent & Co.'s and Godsell Newco Incorporated's lawyers dated 12th February, 1980 and from Exco and Astley & Pearce Holdings Limited to Mabon, Nugent & Co. dated 6th March, 1980 relating to confidentiality.

(x) A Partnership Agreement made 14th July, 1980 between Victory Film Productions Limited (1) and Cayzer Limited (a subsidiary of CGL), Lowman Financing Limited, Archibald Bathgate Group Limited, Ensign Tankers (Leasing) Limited and Astley & Pearce Limited (2) constituting a limited partnership under the Limited Partnership Act 1907 whereby Astley & Pearce Limited agreed to contribute the sum of US $232,500 to the capital of the partnership for the purpose of the partnership's business being production, distribution and exploitation of cinematograph films and ancillary rights. Under the terms of the Agreement, Astley & Pearce Limited (*inter alia*) indemnifies Victory Film Productions Limited in respect of the former's share of revenue losses up to a maximum of US $697,125.

(xi) An Agreement for underlease dated 12th January, 1981 between Electricity Supply Nominees Limited (1) and Astley & Pearce Limited (2) of Milestone House, 105/109 Cannon Street, London EC4 providing for the grant of an underlease for a term of 25½ years from 30th September, 1980 at a current rent of £190,000 per annum rising to £194,500 per annum from 25th June, 1982 to 31st March, 1986 with five yearly upward only reviews thereafter, with additional rent equal to that obtainable on sub-underlettings of the ground, basement and sub-basement floors.

(xii) An Agreement made in February, 1981 between NAP Holdings U.K. Limited, a subsidiary of Guinness Peat Group Limited (1), Astbro Inc. (2) and NAPH (3) being a Stockholders' Agreement relating to holdings of the parties of the first and second part in NAPH.

(xiii) Agreements dated 27th February, 1981 between Exco 1980 and each of J. G. O'Neill, J. N. G. Moreton, A. J. Johnson and P. J. Tipper for the acquisition of their holdings of five ordinary shares of £1 each in GHL in return for the issue to each of them of 250 ordinary shares of 10p each in Exco 1980 (see paragraph 1.B.(ii) above).

(xiv) Agreements dated 3rd March, 1981 between Exco and each of J. G. O'Neill, J. N. G. Moreton, CGL, P. J. Tipper, A. J. Johnson, C. R. Stick and D. B. Buik for the acquisition of the ordinary shares of 10p each held by them in Exco 1980, respectively, 1,125, 1,125, 649, 250, 250, 250 and 250 shares in return for the issue of shares in Exco (see paragraph 1.A(iv) above) and 1p per share for the deferred shares held by each of the above in Exco 1980, being respectively 2,250, 2,250, 649, 500, 500, 500, and 500 shares.

(xv) An Agreement dated 24th April, 1981 between The Royal Bank of Scotland Limited (1) and Exco (2) for the purchase by Exco of US $2,232,500 for delivery on 31st December, 1981 for the sum of £1,000,000.

(xvi) A counter-guarantee dated 8th June, 1981 from Exco to Lewis & Peat Group Limited indemnifying Lewis & Peat Group Limited as to 30 per cent. of any claims made against Lewis & Peat Group Limited in connection with its unlimited guarantee of the performance by Noonans of its guarantee of the performance by Noonan, Astley & Pearce Government Securities, Inc. of contracts relating to the repurchase and resale of agreements in U.S. Government Federal Agency and other types of fixed income securities. The guarantee expires on 30th April, 1982 and is in respect of letters of guarantee given by Lewis & Peat Group Limited to 25 banks in the United States. Exco expects to increase its indemnity to 36 per cent. in line with the increase in its interest in NAPH.

(xvii) An Agreement made 31st August, 1981, between PKAD Pty. Limited (1), Exco 1980 (2), Arthur Securities Pty. Limited (3) and RFA-Godsell Pty. Limited (4) relating to the transfer with effect from 1st September, 1981 of the business of providing financial services and lease packaging previously carried on by Arthur Securities Pty. Limited to RFA-Godsell Pty. Limited in consideration of the allotment of 300,000 'B' ordinary shares of Australian $1 each in RFA-Godsell Pty. Limited to Arthur Securities Pty. Limited and providing for PKAD Pty. Limited to subscribe in cash for 300,000 'A' ordinary shares of A$1 each in RFA-Godsell Pty. Limited. The Agreement also contains provisions whereby a consent of both shareholders is required before any major decisions are taken.

(xviii) An Agreement made 15th September, 1981 between Guinness Peat Financial Services Limited (1), P. J. D'Angelo, A. M. Ellien, F. Bruno and A. J. Sciametta (2), Exco (3), Astbro Inc. (4), The British & Commonwealth Shipping Company Limited (5), NAP Holdings U.K. Limited (6) and NAPH (7) whereby the parties of the first, fourth, fifth and sixth parts agreed to subscribe or procure subscribers for shares in NAPH for the sums of US $6 million, 14.1 million, 14.4 million and 0.5 million respectively. The effective interests of the parties of the first, second, third and fifth parts in NAPH are 30 per cent., 10 per cent., 36 per cent. and (including the fifth party's subsidiaries and investment clients) 24 per cent. The Agreement also contains provisions requiring the consent of the three largest shareholders to be given for any major decisions relating to NAPH and to the effect that, if shareholders holding more than 50 per cent. of the effective equity capital of NAPH determine Telerate should become a company whose shares are listed, the parties will co-operate in achieving such aim but on the basis that Noonans does not comprise part of that company. Payment of the above sums is due on 4th January, 1982 on the maturity of letters of credit. Negotiations are taking place in connection with an agreement whereby each of the parties of the second part would sell and NAPH would buy his shares on his ceasing to be employed by NAPH or its subsidiaries.

(xix) A Guarantee dated 15th September, 1981 given by Exco to Guinness Mahon & Co. Limited against any liabilities incurred by Guinness Mahon & Co. Limited (but limited to US $1,410,000) in making available facilities to NAPH in connection with the deposit paid pursuant to the agreement to acquire Telerate.

(xx) An Agreement dated 15th September, 1981 between N. M. Rothschild & Sons Limited (1) and Exco, Exco Securities Limited, Exco Securities (1978) Limited, Astley & Pearce Holdings Limited, Astley & Pearce Limited, Buxton's & M.M.B. Limited, Bow Wine Vaults Limited, Exco 1980, GHL and Godsell & Company Limited (2) varied by an agreement by correspondence dated 30th October and 2nd November, 1981 whereby N. M. Rothschild & Sons Limited agreed subject to certain conditions (which have since been satisfied) to give a guarantee or indemnity in agreed terms limited to US $12.84 million in support of the obligations of Exco, in connection with the purchase of common stock of Telerate. The agreement provides for the payment of interest if any funds are advanced under the Agreement, for the payment of a commitment commission of US $82,500 to N. M. Rothschild & Sons Limited, for the deposit of £5.7 million with N. M. Rothschild & Sons Limited from the proceeds of the Offer for Sale and the execution of a charge on such sum, and contains restrictions upon Exco entering into any capital commitments or acquisitions save in connection with the purchase of Telerate and the purchase of the minority interest in Astley & Pearce (Scandinavia) AS. Under the terms of the Agreement Exco has charged US $1.84 million to N. M. Rothschild & Sons Limited by a deed made 15th September, 1981 between Exco (1) and N. M. Rothschild & Sons Limited (2) and a deed of indemnity dated 15th September, 1981 has been entered into between Exco (1) and N. M. Rothschild & Sons Limited (2). The obligations of Exco under the Agreement are guaranteed by all the other parties of the second part.

(xxi) Two Agreements dated 7th October, 1981 and 8th October, 1981 between N. M. Rothschild & Sons Limited and The Royal Bank of Scotland Limited respectively (1) and Exco (2) for the purchase by Exco of US $4,000,000 under each Agreement for delivery on 4th January, 1982 for the sum of £2,168,022 and £2,105,263 respectively.

(xxii) A Mortgage Debenture and covering letter dated 23rd October, 1981 between Exco (1) and The Royal Bank of Scotland Limited (2) whereby Exco charged by way of first fixed charge all book and other debts now and from time to time owing to Exco together with all the goodwill and uncalled capital of Exco and by way of first floating charge Exco's undertaking and all other property to which it is at any time entitled. There is a restriction on secured borrowing by subsidiaries other than the creation of charges for borrowing in the ordinary course of business by overseas subsidiaries of Exco.

(xxiii) An Agreement dated 3rd November, 1981 between Exco and Lewis & Peat Group Limited, whereby Exco agreed to give an indemnity to Lewis & Peat Group Limited against 30 per cent. of any losses it may incur in connection with a loan of US $8 million made by Lewis & Peat Group Limited to NAPH. Exco expects to increase its indemnity to 36 per cent. in line with the increase in its interest in NAPH.

(xxiv) An Agreement dated 4th November, 1981, being the Offer for Sale contract referred to in paragraph 5 above, between attorneys on behalf of the vendors (1), the Warrantors as therein defined (2), the Tax Covenantors as therein defined (3), certain shareholders in Exco and CGL (4), Exco (5) and N. M. Rothschild & Sons Limited (6).

7. CONTRACTS OF ASSOCIATED COMPANIES MATERIAL TO EXCO

NAPH has entered into the following contracts in connection with the acquisition of Telerate:–

(i) An Agreement dated 16th September, 1981 and completed on 20th October, 1981 made between NAPH (1), B. Cantor and I. Cantor, W. Miller, J. Terranova, M. Brown and N. Hirsch as trustees of the Jacqueline Brown Trust, B. Cohen, N. Hirsch and E. Zimet (2) and Telerate (3). The principal terms of the Agreement are as follows:–

(a) NAPH purchases 89.59575 per cent. of the stock of Telerate.

(b) The purchase price is US $74,183,625 payable by promissory notes maturing on 4th January, 1982.

(c) The sellers give various warranties to NAPH in connection with the financial affairs and business of Telerate and Telerate Systems Inc.

(ii) A Shareholders' Agreement entered into on 20th October, 1981 between NAPH (1), N. Hirsch, J. Terranova and E. Zimet (2) and Telerate (3) preventing the individual shareholders disposing of any shares, restricting the rights of NAPH to dispose of its shares in Telerate, making provision for the purchase by NAPH and the sale by each of the individuals of their shares should they cease to be employed by Telerate, and containing restrictions on carrying out certain matters such as borrowing, lending, issue of new shares, merger or consolidation of Telerate or Telerate Systems Inc. or changing its business without the consent of N. Hirsch or, if N. Hirsch no longer holds shares but J. Terranova does, without J. Terranova's consent.

(iii) A term loan agreement dated as of 20th October, 1981 between NAPH (1) and Continental Illinois National Bank and Trust Company of Chicago ("the Bank") (2) under which the Bank has agreed to advance a term loan of US $40,000,000 to NAPH. The principal provisions are as follows:–

(a) The loan is repayable by quarterly payments as follows:–

31st March, 1982 to 31st December, 1982—US $1,000,000

31st March, 1983 to 31st December, 1983—US $1,500,000

31st March, 1984 to 31st December, 1986—US $2,500,000

(b) Interest is payable at a normal commercial margin over the Bank's Prime Rate.

(c) There is a restriction on dividends exceeding 40 per cent. of consolidated net after tax income of NAPH.

(iv) A pledge agreement dated as of 20th October, 1981 between NAPH (1) and the Bank (2) whereby NAPH pledges its shares in Noonans and Telerate and its rights under the Shareholders' Agreement referred to at (ii) above as security for the loan.

8. TAXATION

Following completion of this Offer for Sale the Company is not expected to be a close company within the meaning of the Income and Corporation Taxes Act 1970.

An apportionment clearance has not been obtained for Godsell & Company Limited in respect of the financial year to 30th June, 1977. The Inland Revenue has indicated that an apportionment will be made for 1977 in the maximum sum of £52,720. Interest on overdue taxation of £39,000 may also become payable by Godsell & Company Limited in respect of its corporation tax liability for 1977. Over this period Godsell & Company Limited was not a member of the Group and indemnities have been obtained from the vendors in respect of Inland Revenue claims (see paragraph 6 (vii)) including, *inter alia*, Marlon House Holdings Limited, which is now in members' voluntary liquidation.

The taxation liabilities of certain subsidiary companies have not, at the date of this Offer for Sale, been agreed with the relevant tax authorities. There is therefore a possibility that the treatment of certain items of expenditure may be subject to alteration. The directors consider, however, that the potential liability that could exist in relation to these matters is unlikely to exceed £50,000.

Save as disclosed above, apportionment clearances have been obtained where appropriate in respect of the Company and its subsidiaries in respect of the five years ended 31st December, 1980.

Under the contract in paragraph 6 (xxiv) above, the vendors and certain other shareholders have given indemnities in respect of taxation, save for taxation liabilities referred to in this paragraph.

Clearance under Section 464 of the Income and Corporation Taxes Act 1970 has been obtained in respect of the issue of shares which are the subject of the Offer for Sale contract and the sale of shares thereunder.

9. PREMISES

The Group occupies the following principal office premises:–

(i) Leasehold premises of 14,013 square feet at 80 Cannon Street, London EC4. The lease, which expires on 25th December, 2002, provides for upward only rent reviews every five years with the next rent review date on 25th December, 1982. The current rent is £186,778 per annum.

(ii) Leasehold premises of 9,175 square feet in Marlon House, Mark Lane, London EC3. The interest is held under four leases which bear an aggregate rental of £112,588 per annum and which expire on 25th December, 1983, 25th December, 1986, 25th March, 2000 and 28th September, 2001 and which are subject to upward only rent reviews.

(iii) Leasehold premises of 3,100 square feet at 2-10 Wilson Street, London EC2. The interest is held under a lease at a rental of £17,838 per annum which expires on 25th September, 1985 with a rent review on 29th September, 1982.

(iv) Leasehold offices and dining rooms at Milestone House, 105/109 Cannon Street, London EC4. The agreement for underlease (see paragraph 6(xi)) covers 15,055 square feet; 8,770 square feet of this area is sub-let or subject to licenses yielding a combined total of £139,650 per annum, rising to £144,150 per annum from 25th March, 1982.

(v) 4,636 square feet of office premises in Zurich held under a lease expiring in October, 1985, with an option to renew until September, 1990. The current rental is SFr. 117,423 per annum.

(vi) Freehold office premises in Copenhagen and Dublin of 15,069 and 1,966 square feet respectively.

The Group's other offices are occupied under leases or tenancies most of which are short term.

10. INDEBTEDNESS

On 30th September, 1981, the Company and its subsidiaries had outstanding the following indebtedness:–

	£000
Short term loans (£25,000 secured)	38
Term loans (£55,000 secured)	805
	843
The Convertible Loan Stock (Note (ii))	1,528
Total loans	2,371

Notes

(i) Borrowings in foreign currencies have been translated at exchange rates ruling on 30th September, 1981.

(ii) All the Convertible Loan Stock was converted into ordinary shares of 10p each on 4th November, 1981.

(iii) Since 30th September, 1981, pursuant to an earlier commitment, the unsecured element of Term Loans of £750,000 plus a further sum of £250,000 borrowed has been secured by the Mortgage Debenture referred to in paragraph 6 (xxii).

In addition the Company and its subsidiaries have outstanding the following contingent liabilities which are or may be material:–

(i) In relation to tax and apportionment as summarised in paragraph 8 above;

(ii) Under the Partnership Agreement referred to in paragraph 6 (x) above;

(iii) Under the contracts for the forward purchase of U.S. dollars referred to in paragraph 6 (xv) and (xxi) above;

(iv) Under the counter-guarantee given to Lewis & Peat Group Limited referred to in paragraph 6 (xvi) above;

(v) Under the Guarantee to Guinness Mahon & Co. Limited referred to in paragraph 6 (xix) above;

(vi) Under the Agreement with N.M. Rothschild & Sons Limited and documents executed pursuant thereto referred to in paragraph 6 (xx) above;

(vii) Under the agreement with Lewis & Peat Group Limited referred to in paragraph 6 (xxiii) above.

11. EXECUTIVE SHARE OPTION SCHEME

On 4th November, 1981, the Company adopted a share option scheme ("the Scheme") for senior executives whose rules are summarised below:–

(i) The board will have the right to grant options over a maximum of 2,125,000 ordinary shares of 10p each in the Company, representing five per cent. of the issued share capital of the Company at the present time.

(ii) An individual's participation in the Scheme will be limited so that the total subscription price payable by him for ordinary shares under the Scheme does not exceed four times his annual salary (including commission and bonus) or £100,000 if lower.

(iii) The directors will have complete discretion as to the number of shares comprised in any option, subject to the limitation mentioned above. Options may be granted to any employees, including members of the board who hold executive office. See note (a).

(iv) The consideration payable for the grant of an option will be £1.

(v) Options granted under the Scheme are not assignable.

(vi) An option holder will be entitled to subscribe for an ordinary share in the Company at a price equal to the average of the middle market quotations for the ordinary shares of the Company derived from The Stock Exchange Daily Official List on the five dealing days preceding the date of grant of the option.

(vii) Except as provided in the Scheme, no option may be exercised until the date or dates specified in the option agreement. Options lapse seven years after the date of grant. The right to grant options under the Scheme will expire on the tenth anniversary of the adoption of the Scheme.

(viii) An option may be granted and exercised only during the 21 days immediately after the announcement of the half yearly or annual results of the Company or after the issue of ordinary shares to the public. See note (b).

(ix) The Scheme contains provisions for the number of shares comprised in an option and the subscription price payable for each such share to be adjusted in the event of certain variations in the share capital of the Company, including any rights or capitalisation issue. The maximum number of shares that may be put under option pursuant to the Scheme may be similarly varied in these circumstances.

(x) The directors will have power to amend the Scheme but no amendment may be made which would adversely affect any rights already acquired by option holders under the Scheme without their consent, nor may the Scheme be altered to the advantage of any of the participants without the prior sanction of the Company in general meeting.

Notes

(a) No options will be granted to existing directors.

(b) No options will be granted in the 21 days after this Offer for Sale.

12. GENERAL

(i) The directors are satisfied that Exco and its subsidiaries will, after the Offer for Sale, have sufficient working capital for their present requirements.

(ii) N. M. Rothschild & Sons Limited is registered in England (No. 925279) and its registered office is at New Court, St. Swithin's Lane, London EC4P 4DU. Exco is obliged to deposit £5.7 million out of the proceeds of the Offer for Sale with N. M. Rothschild & Sons Limited under paragraph 6 (xx) above.

(iii) Save as disclosed herein, no commissions, discounts, brokerages or other special terms have been granted by Exco or any of its subsidiaries within the two years preceding this Offer for Sale in connection with the issue or sale of any share or loan capital of such company.

(iv) Neither Exco nor any of its subsidiaries is engaged in any litigation or arbitration which, in the opinion of the directors, is of material importance and no litigation or claim of material importance is known to the directors to be pending or threatened against the group.

(v) No amount is required for any of the matters referred to in paragraph 4 of the Fourth Schedule to the Companies Act 1948.

(vi) Coopers & Lybrand have given and have not withdrawn their written consent to the issue of this Offer for Sale with the inclusion of their report and the references thereto in the form and context in which they are included.

(vii) The documents attached to the copy of this Offer for Sale delivered to the Registrar of Companies for registration were the written consent referred to in subparagraph (vi) above, the statement of Coopers & Lybrand setting out the adjustments made in arriving at the figures contained in their report (as set out herein) and giving the reasons therefor, and copies of the material contracts referred to in paragraphs 6 and 7 above.

(viii) M. C. Johns is a partner in Withers, solicitors, which will be receiving a fee for professional services in connection with this Offer for Sale.

(ix) Exco commenced business on 24th August, 1979. It was incorporated under the name Monkalk Limited changing its name to Exco Securities (1979) Limited on 20th July, 1979 and to Exco International Limited on 26th June, 1981.

(x) Astley & Pearce Limited proposes to enter into a joint venture for the development of property at 33 Lombard Street, London EC3 in association, *inter alia*, with members of the Guinness Peat Group and Cayzer, Gartmore Limited. Under the existing proposals, Astley & Pearce Limited would receive a 10 per cent. share in any profit on the development in return for giving an indemnity to the extent of approximately 11 per cent. of any loss.

(xi) Exco will apply for such licences as are necessary under the British Telecommunications Act 1981.

13. DOCUMENTS AVAILABLE FOR INSPECTION

The following documents or copies thereof may be inspected at the offices of Ashurst, Morris, Crisp & Co., Broadgate House, 7 Eldon Street, London EC2, during usual business hours on any weekday (Saturdays excepted) for a period of fourteen days following the date of this Offer for Sale:–

(i) the Memorandum and Articles of Association of Exco;
(ii) the audited accounts of Exco as at 31st December, 1979, 31st December, 1980 and 30th June, 1981;
(iii) the rules of the Scheme;
(iv) the Accountants' Report;
(v) the documents delivered to the Registrar of Companies mentioned in paragraph 12 (vii) above;
(vi) the service contract with P. Jespersen referred to in paragraph 3 (v) above; and
(vii) the offer referred to in paragraph 3 (vi) above.

Dated 4th November, 1981.

PROCEDURE FOR APPLICATION

No person receiving a copy of this Offer for Sale and/or an Application Form in any territory other than the United Kingdom may treat the same as constituting an invitation to him, nor should he in any event use such Application Form, unless in the relevant territory such an invitation could lawfully be made to him or such Form could lawfully be used without compliance with any registration or other legal requirements. It is the responsibility of any person outside the United Kingdom wishing to make an application hereunder to satisfy himself as to full observance of the laws of the relevant territory in connection therewith, including obtaining any governmental or other consents which may be required or observing any other formalities needing to be observed in such territory.

Applications (which must be for a minimum of 200 shares and in multiples of 200 shares up to 2,000 shares, thereafter in multiples of 500 shares up to 10,000 shares and thereafter in multiples of 1,000 shares) must be made on the Application Forms provided and forwarded or handed in to Barclays Bank Limited, New Issues Department, P.O. Box 123, 2 London Wall Buildings, London Wall, London EC2P 2BU to arrive not later than 10.00 a.m. on Thursday, 12th November, 1981. Photostat copies of Application Forms will not be accepted.

A separate cheque or bankers draft must accompany each Application Form.

Cheques or bankers drafts, which must be drawn in sterling on a branch in England, Scotland, Wales, Northern Ireland, the Channel Islands or the Isle of Man, of a bank which is either a member of the London or Scottish Clearing Houses or which has arranged for its cheques and bankers drafts to be cleared through the facilities provided for the members of those Clearing Houses and must bear the appropriate sorting code number in the top right hand corner, must be made payable to "Barclays Bank Limited" and crossed "Not Negotiable" and must represent payment in full at the Offer for Sale price. No application will be considered unless these conditions are fulfilled.

Preference will be given in respect of a maximum of 10 per cent. of the shares being offered for sale to applications made by employees of the Company or its subsidiaries on the special pink forms provided for the purpose.

N. M. Rothschild & Sons Limited reserves the right to present all cheques/bankers drafts for payment on receipt, to retain letters of acceptance and surplus application moneys pending the clearance of all cheques, to accept in part only or to reject or scale down applications and in particular, multiple or suspected multiple applications and applications for an undue number of shares. Due completion and delivery of an Application Form accompanied by a cheque will constitute a representation that the cheque will be honoured on first presentation; attention is drawn to the declaration in the Application Form to that effect.

If any application is not accepted, the amount paid on application will be returned in full and, if any application is accepted for fewer shares than applied for, the balance of the amount paid on application will be returned by cheque through the post, in either case without interest.

Renounceable letters of acceptance will be sent to successful applicants by not later than 17th November, 1981 and will be renounceable up to 18th December, 1981. The shares now being offered for sale will be registered free of stamp duty and registration fees in the names of the purchasers or persons in whose favour letters of acceptance have been renounced, provided that, in the case of renunciation, letters of acceptance duly completed in accordance with the instructions contained therein are lodged for registration on or before 18th December, 1981. Share certificates will be despatched on 15th January, 1982.

Acceptance of applications will be conditional on the Council of The Stock Exchange admitting the whole of the issued share capital of the Company to the Official List not later than 13th November, 1981. Moneys collected in respect of applications will be returned if such condition is not satisfied by that date and in the meantime will be retained by Barclays Bank Limited in a separate account. It is expected that dealings will commence not later than 18th November, 1981.

AVAILABILITY OF COPIES

Copies of this Offer for Sale are available from:–

N. M. Rothschild & Sons Limited,
New Court, St. Swithin's Lane,
London EC4

Grieveson, Grant and Co.,
59 Gresham Street,
London EC2

Barclays Bank Limited,
New Issues Department,
2 London Wall Buildings, London Wall,
London EC2

The Royal Bank of Scotland Limited,
36 St. Andrew Square,
Edinburgh

APPLICATION FORM

The Application List will open at 10 a.m. on Thursday, 12th November, 1981, and may be closed at any time thereafter.

This Form when completed should be forwarded to Barclays Bank Limited, New Issues Department, P.O. Box 123, 2 London Wall Buildings, London Wall, London EC2P 2BU and should arrive not later than 10 a.m. on Thursday, 12th November, 1981 together with a cheque or bankers draft (drawn in sterling on a branch in England, Scotland, Wales, Northern Ireland, the Channel Islands or the Isle of Man of a bank which is either a member of the London or Scottish Clearing Houses or which has arranged for its cheques and bankers drafts to be cleared through the facilities provided for the members of those Clearing Houses and bearing the appropriate sorting code number in the top right hand corner) made payable to "Barclays Bank Limited" and crossed "Not negotiable". A separate cheque or draft must accompany each application, which will not be considered unless these conditions are fulfilled.

EXCO INTERNATIONAL PUBLIC LIMITED COMPANY

(Incorporated in England No. 1423001 under the Companies Acts 1948 to 1976)

Offer for Sale
by
N. M. Rothschild & Sons Limited

of 14,500,000 ordinary shares of 10p each at 140p per share

*Applications must be for a minimum of 200 shares and in multiples of 200 shares up to 2,000 shares, in multiples of 500 shares between 2,000 and 10,000 and thereafter in multiples of 1,000.

Number of Ordinary Shares applied for*	Amount Enclosed
	£

FOR OFFICE USE ONLY
1. Letter of Acceptance No.
2. Number of shares allotted
3. Amount received on application £
4. Amount payable on shares accepted £
5. Amount returned £
6. Returned Cheque No.

To: N. M. Rothschild & Sons Limited

Gentlemen,

Having paid to Barclays Bank Limited the above-mentioned sum, being the amount of 140p per share payable on application for the above-stated number of ordinary shares of 10p each, I/we offer to purchase that number of shares and I/we agree to accept the same or any smaller number of shares in respect of which this application may be accepted upon the terms of the Offer for Sale dated 4th November, 1981, and subject to the Memorandum and Articles of Association of Exco International p.l.c.

I/We authorise you to send a fully paid renounceable letter of acceptance in respect of such shares and/or a cheque representing the return of any application moneys due to me/us by post at my/our risk to the (first) address written below.

I/We declare and warrant that due completion of this application form accompanied by a cheque will constitute an undertaking by me/us that the cheque sent herewith will be paid on first presentation and any allotment to me/us is strictly on this understanding.

Examples of amounts payable on application:–

Number of shares applied for:–	£
200	280
400	560
600	840
800	1,120
1,000	1,400
2,000	2,800
5,000	7,000
10,000	14,000
25,000	35,000
50,000	70,000
100,000	140,000

Date ______________ 1981 Signature ______________ (1)

PLEASE USE BLOCK LETTERS

______________ Surname and Designation (Mr., Mrs., Miss, Title or Rank)

______________ Forename(s) in full

______________ Address in full

______________ (A corporation should complete this Form under the hand of a duly authorised official who should state his capacity)

All Joint Applicants must sign below.

Please pin cheque/draft here

(2) Signature ______________

Surname and Designation ______________ Forename(s) in full ______________
(Mr., Mrs., Miss, Title or Rank)

Address (in full) ______________

(3) Signature ______________

Surname and Designation ______________ Forename(s) in full ______________
(Mr., Mrs., Miss, Title or Rank)

Address (in full) ______________

(4) Signature ______________

Surname and Designation ______________ Forename(s) in full ______________
(Mr., Mrs., Miss, Title or Rank)

Address (in full) ______________

Applicants are advised to allow two days for delivery through the post and to use first class mail. The right is reserved to present all cheques and drafts for payment on receipt and to withhold letters of acceptance and excess application moneys pending clearance of applicants' cheques.

No receipt will be issued for the amount paid on application but an acknowledgement will be forwarded in due course by fully paid renounceable letters of acceptance in respect of all or some of the shares applied for and/or by return by cheque through the post of the application moneys or any surplus thereof.

Companies and Markets

WORLD STOCK MARKETS

HOLLAND

1981 High	Low	Nov. 6	Price Fls
86.5	65.5	ACF Holding	66.4
79.5	56.2	Ahold	62
27	15.7	AKZO	21.5
505	269.5	ABN	282
96.3	81.5	AMEV	91
60.1	50.5	AMRO	51.9
222	170	Bredero Cert	173
88.7	59	Bos Kalis	64.6
62	42.0	Buhrmann-Tet	44
41	16.1	Caland Hldgs	34.7
163	98	Elsevier-NDU nv	129
148.5	118	Ennia	121.5
77.0	64	EuroCom Tst	76
71.6	49.8	Gist. Brocades	57
60.3	44	Heineken	44.8
20.4	13.9	Hoogovens	14.1
13.4	7.1	Hunter Douglas	7.7
22	12.6	Int-Muller	18.2
142	56	KLM	91.5
29.7	15.1	Naarden	24.9
126.8	106.5	Nat Ned Cert	109.5
49.8	35.5	Ned Cred Bank	35.6
202	147	Ned Mid Bank	147.8
167	92	Nedlloyd	143.2
129	66	Oce Grinten	70
36.7	26.8	Ommeren (Van)	28
49.3	35	Pakhoed	42
24.7	15	Philips	19.6
55.6	32.5	Rijn-Scheide	35.1
258	207.5	Robeco	216.5
125.8	109.9	Rodamco	116.4
275.2	203.1	Rolinco	219.6
159.8	117.2	Rorento	151.4
106.0	71.3	Royal Dutch	82.9
144	74.2	Slavenburg's	81
260.5	192	Tokyo Pac Hg	205.5
160.5	123.8	Unilever	146
181	118	Viking Res	142
51	28.2	VMF Stork	33.8
79.5	50	VNU	51.8
35	19.9	Volker-Stevin	27.3
220	68.5	West Utr Bank	70.5

NORWAY

1981 High	Low	Nov. 6	Price Kronor
123	100	Bergens Bank	117.5
140	77	Borregaard	140
149	111	Creditbank	149
64	55	Elkem	58.5
510	415	Kosmos	485
537.5	360	Norsk Hydro	460
250	135	Storebrand	250

ITALY

1981 High	Low	Nov. 6	Price Lire
174,100	102,200	Assicur Gen	137,760
36,600	30,500	Banca Com'le	33,000
560	295	Bastogi Fin	334.5
10,640	4,170	Centrale	5,570
17,770	4,270	Credito Varesino	8,550
2,610	1,428	Fiat	1,521
104	35	Finsider	38
6,050	2,850	Invest	2,990
61,900	26,000	Italcementi	34,700
330	110	Italsider	120s
298.25	148	Montedison	161.25
5,150	2,450	Olivetti	2,840
5,650	2,500	Pirelli Co	2,600
2,740	1,297	Pirelli Spa	1,351
1,140	640	Snia Viscosa	671
1,250	690	do. do. Priv	700
79,400	22,300	Toro Assic	41,500
66,890	18,196	do. Pref	38,700

SWEDEN

1981 High	Low	Nov. 6	Price Kronor
248	188	AGA	226
201	132	Alfa-Laval	201
190	71	ASEA	190
366	230	Astra	342
126	76.5	Atlas Copco	119
324	235	Boliden	262
280	129	Cellulosa	249
136	76.5	Electrolux B	85
214	104	Ericsson	214
197	125	Esselte	168
135	78	Fagersta	124
101	38	Fortia (Free)	90
206	104	Mooch Dom	150
169	76	Saab-Skania	127
260	186	Sandvik	226
590	515	Skandia	560
232	151	Skan Enskilda	234
154	84.5	SKF B	154
320	207	St. Kopparberg	311
127	64	Sven Handelsbn	125
135	92	Swedish Match	100
169	65	Volvo	141

SWITZERLAND

1981 High	Low	Nov. 6	Price Frs.
1,190	670	Alusuisse	710
1,500	1,050	Brown Boveri	1,030
1,285	970	Ciba-Geigy	1,150
995	755	do. (Part Certs)	890
2,795	1,890	Credit Suisse	2,090
2,620	2,035	Elektrowatt	2,160
765	490	Fisher (Geo)	508

HONG KONG

1981 High	Low	Nov. 6	Price H.K. $
38.75	18.5	Cheung Kong	22.6
3.55	2.00	Cosmos Prop	2
10.60	7.90	Cross Harbour	9.2
176	99.5	Hang Seng Bank	118
8.75	4.20	HK Electric	5.35
10.80	5.00	HK Kowloon Wh	6.55
14.8	7.6	HK Land	9.75
20.1	12.2	HK Shanghai BK	14.7
28.70	16.8	HK Telephone	19.5
25.5	13	Hutchison Wpa	17.7
27.70	12.3	Jardine Math	16.7
7.30	4.05	New World Dev	5.15
7.60	4.15	O'seas Trust Bk	5.55
21.60	7.2	SKH Props	8.00
20.3	9.7	Swire Pac A	12.4
9.10	4.95	Wheel'k Mard A	6.95
6.0	4.10	Wheel'k Maritl'e	5.40
5.40	2.00	World Int. Hldgs	3.50

JAPAN

1981 High	Low	Nov. 7	Price Yen
1,020	745	Ajinomoto	835
911	540	Amada	604
685	378	Asahi Glass	575
620	445	Bridgestone	463
1,870	710	Canon	946
467	330	Citizen	345

BRAZIL

1981 High	Low	Nov. 6	Price Cruz
1.90	0.76	Acesita	1.37
9.10	3.05	Banco Brasil	8.82
1.57	1.40	Banco Itau	1.55
4.35	1.80	Belgo. Min.	4.10
4.50	2.80	Lojas Amer	4.50
6.95	2.12	Petrobras PP	6.95
1.70	1.05	Pirelli OP	1.20
9.95	2.05	Souza Cruz	5.59
7.50	4.90	Unip PE	5.40
11.70	4.50	Vale Rio Doce	11.70

TEL AVIV

Company	Prices Nov 8 1981	Change on the week
Banking, Insurance and Finance		
Bank Leumi le Israel	1,629	+ 22
IDB Bankholding	2,302	+ 13
Bank Hapoalim Br.	2,201	+ 31
Union Bank of Israel Br.	1,604	+ 24
United Mizrahi Bank	1,108	+ 14
Hassneh Insurance Br.	760	+160
Gen. Mort. Bank Br.	1,075	+160
'Tefahot' Israel Mort. Bank Br.	1,150	+120
Land Development		
Africa Israel Inv	2,430	+250
Israel Land Dev. Br.	1,405	−495
Property and Building	1,496	− 4
Public Utility		
Israel Electric Corp.	2,210	+460
Investment Companies		
Bank Leumi Invest.	1,150	+424
"Clal" Israel Invest.	—	—
Discount Invest	1,293	+180
Commercial and Industrial		
Alliance Tire & Rubber	—	—
Elco Br.	815	+ 88
Argaman Textile Br	378	+ 21
"Ata" Textile "B"	487	+112
Amer. Israeli Ppr. Mills	1,400	+225
Assis	950	+120
Elite	950	+120
Teva Reg.	1,530	+ 57
Fuel and Oil		
Delek	895	+200

† Bid.

Source: Bank Leumi le Israel BM. Tel Aviv.

NOTES:—Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

From All The Children A Special Thanks

The Malcolm Sargent Cancer Fund For Children Guide To British Business

The Malcolm Sargent Cancer Fund for Children is most grateful to all the donors who have made this feature possible. The Fund is a registered charity and seeks to help all young people who have cancer, leukaemia or Hodgkin's disease either at home or in hospital.

We appeal to the readers of the Financial Times to support us in our vital work and relieve the distress of hundreds of families

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HiFi Equipment
Akai (UK) Ltd.
Haslemere Heathrow Estate
Silver Jubilee Way
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Hi Fi & T.V.
Hi Fi & T.V. Repair Company
8 Hartfield Road
Wimbledon
SW19 3TA
Tel: 946 5063

Home Furnishings
Fredrick Lawrence Contract Furnishing Ltd.
33-53 Westbourne Grove
London W2
Tel: 01-229 1182

Hotels
Tower Hotel
St. Katherines Way

Interior & Exhibition Design
Ivor Hall & Associates
34 Bisham Gardens
London N6 6DD
Tel: 01-348 2338
Telex: 8853452 DESIGN 6

International Property Consultants
Knight Frank & Rutley
20 Hanover Square
London W1R 0AH
Tel: 01-629 8171
Telex: 265384

International Trading
A.G. Leventis Group of Companies
West Africa House
Hanger Lane
Ealing
London W5 3QR
Tel: 01-997 6651
Telex: 24367

Investment and Banking
Charterhouse Group Ltd.
25 Milk Street
London EC2
Tel. 01-606 7070
Telex: 885577

K

Kitchen Furniture Manufacturers
Form-Royale Tenton Ltd.
The Priory
Church Street
Leatherhead
Surrey
Tel: 53 78788

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The Malcolm Sargent Cancer Fund for Children was launched on 26th March 1968 as a lasting and practical memorial to the British musician whose name it bears.

These are extracts from typical letters received from parents.

"Dear Sir or Madam,

I'm sorry to address you so formally, but we don't know who you are, apart from the fact that you seem like a guardian angel. I'm writing to thank you from both of us for the grant you allowed us for travelling expenses to see our daughter, who is in hospital."

"......It is with deep regret that I inform you of the death of our daughter. I can assure you that in her last few days your donation really brought a great comfort to us. If you had not been so speedy in your efforts to assist we would never have been able to spend so much time with Kate. Your money was used to tax the car we simply had to buy in order to visit her so often. She was a highly strung little girl and I know it was special to her to have us there. I thank you and the fund for allowing this to happen."

"A thank you just seems so very inadequate, but I am sure you do realise what a tremendous relief it is to have some financial support. It is said that money doesn't buy happiness and although it can't compensate for anyone's illness or distress it does make life considerably better.

I am absolutely over the moon about it all. Please express my thanks to all concerned, I am extremely grateful."

Hundreds of children are helped each week in practical ways. Much of the work is done with the expert help of the Malcolm Sargent Social Workers posted in Liverpool, Birmingham, Manchester, Sheffield, Edinburgh, Belfast, London, Newcastle and soon appointments will be made in Cambridge and Bristol.

This offers a vital counselling service and a link with home and hospital.

Please help us to continue with our work.

To The Malcolm Sargent Cancer Fund for Children,
6, Sydney Street
London SW3 6PP

I enclose my donation of £..........to help the Fund care for all the children with cancer or leukaemia.

☐ Please tick box if you require details of our cards, calendars etc.

Name ....

Address ....

The Malcolm Sargent Cancer Fund For Children

Bankers await Campbell report

BY PATRICIA NEWBY IN CANBERRA

FOREIGN BANKS may be able to operate in Australia soon if the Government accepts recommendations to be made public this week by the Campbell inquiry into the Australian financial system.

However, it is expected that the Campbell Committee will include a proviso that the foreign banks should work within the Government's foreign investment guidlines. This would mean they would have to achieve a minimum of 50 per cent Australian equity ownership. Recently Australia's five private banks merged to form three banks in what was seen as a gearing up to meet the foreign competition expected to follow the Campbell Committee's report.

The 870 page report and accompanying four volumes of commissioned studies and selected papers are expected to be made public in Australia on Wednesday.

The Campbell Committee was appointed in 1979 under the chairmanship of Mr Keith Campbell, chief executive of the property company Hooker Corporation. Its brief was to conduct the most wide-ranging investigation of the Australian financial system for more than 40 years and to recommend ways of loosening up the system, which has been stifling under outmoded and restrictive rules and regulations.

Other committee members are Mr Keith Halkerston, a financial adviser, Mr Alan Coates, chief general manager of the AMP Society, one of the country's biggest institutional investors, Mr Dick McCrossin, general manager of the Australian Resources Development Bank, Mr Jim Mallyon, chief manager banking and finance department, of the Reserve Bank of Australia, the country's central monetary authority, and Mr Fred Argy, head of the financial institutions division of The Treasury.

The committee has already been the catalyst for substantial deregulation over the past two years and although the report contains more than 100 pages of recommendations and conclusions, most observers expect the committee to take a gradualist rather than revolutionary approach to the overhaul of Australia's financial system.

From the outset, Mr Campbell made it clear that he expected the report to be acted on and not shelved, as had been the fate of many previous Government-sponsored committee reports, and Mr Campbell himself has indicated that he believes a pragmatic report is more likely to receive Government approval, and therefore action.

Subsidiary of Gillette closes Munich plant

By Our Financial Staff

GILLETTE, the Boston-based manufacturer of razors and blades, said that Braun AG, its German subsidiary, is to close its plant in Munich making movie cameras and equipment. About 450 workers would be dismissed.

Braun has previously agreed to sell its movie camera business to Robert Bosch GmBh.

So far Braun has been unable to find another company to use the plant and plans to meet representatives of the workers to discuss shutting the plant.

Gillette takes about half its earnings from outside the U.S., with blades and razors continuing to provide the lion's share. Braun, the largest producers of electric shavers in Germany, contributed 8 per cent of group profits last year.

Strong year for China Light

BY OUR HONG KONG CORRESPONDENT

CHINA LIGHT and Power, the largest of Hong Kong's two major energy suppliers, has announced a 47.5 per cent increase in earnings for the year ending September 30 to HK$516.3m (US$90m) after transfers under the Government-approved scheme of control which ties allowable profits to fixed assets.

Comparisons of earnings per share and dividends are made difficult by last year's tripling of issued share capital to 480m shares of 50 cents each through a two-for-one share split, a one-for-four rights issue and a one-for-five scrip issue.

Earnings per share come out at HK$1.11 against HK$2.19 and the total dividend, which last year was HK$1 has been set at 53 cents including a final of 17 cents to be paid on December 17. The total payout has been increased by 60 per cent.

For the current year, the Board anticipates three interim dividends of 14 cents a share each, with the final dividend depending on the full year's results.

General Dynamics setback

BY OUR FINANCIAL STAFF

A SHARP setback in profits in the third quarter is reported by General Dynamics, the major U.S. defence contractor.

In the third quarter, net earnings fell to $36.9m from $51.7m last year. The company said that high interest rates and the sluggish economy continued to depress results in its telecommunications and data products group.

Earnings from commercial shipbuilding and commercial aircraft declined because of lower sales levels.

Delay agreed in IBM unit

By Our Financial Staff

THE U.S. JUSTICE Department has received Federal Court approval to delay the timetable for future proceedings in its anti-trust suit against International Business Machines (IBM).

CURRENCIES, MONEY and GOLD

Conflicting trends

BY COLIN MILLHAM

Interest rates continued to ease in London last week, with the three-month interbank falling to around 15¼ per cent from 16 7/16 per cent, while seven-day money declined to 15⅝ per cent from about 15⅞ per cent. These levels are not very different from those ruling on October 14 and 15 when clearing bank base rates were cut by ½ per cent to 15½ per cent. In the meantime three-month money touched 17 per cent, putting renewed upward pressure on base rates, although this was contained by the authorities through intervention in the money market at an attractive rate of 15⅛-15¼ per cent, which helped to prevent the seven-day rate moving above 16 per cent.

By limiting any possibility of arbitrage between the prime borrower overdraft rate and short-term money market rates the Bank of England managed to ride out that particular storm without any further rise in base rates.

The present attitude of the authorities appears to indicate that a period of consolidation is called for, and that a fall in rates would be just as unwelcome as an increase. The central bank has continued to intervene in the market through bill purchases in a general range of 15⅛-15¼ per cent, but if the present trend continues a further cut in base rates does not seem to be out of the question in the foreseeable future.

There should be little difficulty in keeping money market conditions fairly tight for the next few months however, and if overnight and seven-day funds remain firm it will allow little room for a base rate cut which may undermine the recent steadier trend in sterling. Seasonal tax payments at the beginning of the New Year will keep the market short of day-to-day money, and during November and December payment of tax arrears delayed by the civil service dispute will have a similar effect.

Sterling was strong enough last week to encourage hopes of a cut in London interest rates, but the future is by no means clear particularly with regard to the trend of the dollar and U.S. interest rate levels. A decline in New York rates last week encouraged Chemical Bank to cut its prime rate to 17 per cent on Thursday, but an indication that the U.S. budget deficit could be $98bn, compared with an earlier projection of $43bn, then led to fears that the lower trend in rates may be shortlived.

THE POUND SPOT AND FORWARD

Nov 6	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	1.8700-1.8815	1.8770-1.8780	0.22-0.12c pm	1.09	0.35-0.25 pm	0.64
Canada	2.2360-2.2430	2.2390-2.2410	0.50-0.60c dis	−2.95	1.25-1.45dis	−2.41
Nethlnd.	4.57-4.60	4.58¾-4.59¾	1¼-⅛c pm	2.61	3⅛-2⅞ pm	2.72
Belgium	69.80-70.40	70.22-70.32	10-20c dis	−2.56	53-63 dis	−3.30
Denmark	13.36-13.44	13.42-13.44	2¾-1¼ore pm	1.56	2⅝-1⅛ pm	0.58
Ireland	1.1740-1.1840	1.1820-1.1835	0.10-0.15p dis	−1.27	0.40-0.46dis	−1.45
W. Ger.	4.14½-4.18	4.16½-4.17½	1⅞-1½pf pm	4.68	4½-4¼ pm	4.32
Portugal	120.00-121.00	120.20-120.60	40-275c dis	−15.70	90-490 dis	−9.63
Spain	178.00-179.80	179.20-179.40	10c pm-10 dis	—	15-45 dis	−0.67
Italy	2,218-2,234	2,230-2,234	8-11 lire dis	−5.11	32-37 dis	−6.18
Norway	10.99-11.03	11.01-11.03	1¼-⅛ore pm	0.75	2⅞-1⅝ pm	0.82
France	10.47-10.54½	10.52½-10.54½	½c pm-½ dis	—	2¼-3¼ dis	−1.04
Sweden	10.28-10.34	10.32-10.33½	2⅝-1⅞ pm	2.61	6⅝-5⅞ pm	2.42
Japan	427-431	429-430	3.30-3.00y pm	8.80	8.95-8.65 pm	8.19
Austria	29.00-29.25	29.13-29.23	15-100gro pm	5.14	33-23 pm	3.84
Switz.	3.34½-3.36½	3.35-3.36	1¾-1¼c pm	5.36	4⅝-3⅞ pm	4.82

Belgian rate is for convertible francs. Financial franc 78.80-78.90. Six-month forward dollar 0.35-0.29c pm, 12-month 0.35-0.29c pm.

THE DOLLAR SPOT AND FORWARD

Nov 6	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.8700-1.8815	1.8770-1.8780	0.22-0.12c pm	1.09	0.35-0.25 pm	0.64
Ireland†	1.5855-1.5940	1.5870-1.5900	0.45-0.35c pm	3.02	1.20-1.05 pm	2.83
Canada	1.1943-1.1955	1.1943-1.1946	0.39-0.43c dis	−4.12	0.88-0.93dis	−3.03
Nethlnd.	2.4400-2.4530	2.4400-2.4450	0.43-0.33c pm	1.87	1.35-1.25 pm	2.13
Belgium	37.30-37.45	37.41-37.43	9-13c dis	−3.53	33-39 dis	−3.85
Denmark	7.1475-7.1725	7.1475-7.1575	0.45-0.20ore pm	0.54	0.30-0.20 pm	0.14
W. Ger.	2.2175-2.2275	2.2195-2.2205	0.69-0.62pf pm	3.54	2.09-2.01 pm	3.69
Portugal	63.95-64.45	63.95-64.25	30-150c dis	−16.85	60-270 dis	−10.30
Spain	95.15-95.65	95.50-95.55	8-15c dis	−1.44	25-40 dis	−1.36
Italy	1,185-1,190	1,186-1,188	5-6 lire dis	−5.56	19½-21 dis	−6.82
Norway	5.8600-5.8775	5.8650-5.8750	0.60-0.20ore pm	0.82	1.50-1.10 pm	0.88
France	5.5925-5.6200	5.6075-5.6125	0.25-0.40c dis	−0.70	1.90-2.25dis	−1.48
Sweden	5.4910-5.5100	5.4925-5.5025	0.90-0.70ore pm	1.75	2.70-2.50 pm	1.89
Japan	228.50-229.10	228.70-228.80	1.60-1.45y pm	8.00	4.50-4.35 pm	7.73
Austria	15.53-15.62	15.55½-15.56	6-4½gro pm	4.05	14½-10½ pm	3.21
Switz.	1.7850-1.7950	1.7865-1.7875	0.77-0.67c pm	4.83	2.00-1.90 pm	4.36

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency.

GOLD

	Nov. 6		Nov. 5	
Gold Bullion (fine ounce)				
Close	$427½-428½	(£227¾-228¼)	$428½-430	(£228-229)
Opening	$427½-428½	(£228-228½)	$430-431	(£229¼-229¾)
Morning fixing	$427.75	(£228.316)	$428.90	(£228.272)
Afternoon fixing	$428.25	(£228.035)	$428.50	(£228.010)
Gold Coins				
Krugerrand	$441½-442½	(£235¼-235¾)	$442-443	(£236¼-236¾)
1/2 Krugerrand	$231-232	(£123-123½)	$231-232	(£123½-124)
1/4 Krugerrand	$117-118	(£62¼-62¾)	$117-118	(£62½-63)
1/10 Krugerrand	$49-50	(£26-26½)	$49-50	(£26¼-26¾)
Mapleleaf	$442-443	(£235½-236)	$443-444	(£236¼-237¾)
New Sovereigns	$104½-105½	(£55¾-56¼)	$105-105½	(£56-56½)
King Sovereigns	$113-115	(£60-61)	$112-114	(£59½-60½)
Victoria Sovs	$113-115	(£60-61)	$112-114	(£59½-60½)
French 20s	$98-108	(£52¼-57½)	$98-108	(£52½-57¾)
50 pesos Mexico	$532-535	(£284¾-286½)	$532-535	(£284¼-285¾)
100 Cor. Austria	$415-418	(£221¼-222¾)	$415-418	(£221¾-223¼)
20 Eagles	$557-562	(£297-299½)	$561-566	(£299¾-302½)

OTHER CURRENCIES

Nov. 6	£	$		£ Note Rates
Argentina Peso	11,850-11,870†	6324-6344†	Austria	29.10-29.40
Australia Dollar	1.6420-1.6460	0.8750-0.8755	Belgium	78-79
Brazil Cruzeiro	214.80-215.50	114.26-114.83	Denmark	13.36-13.61
Finland Markka	8.180-8.190	4.3620-4.3640	France	10.41-10.58
Greek Drachma	103.148-106.306	55.90-60.10	Germany	4.15-4.19
Hong Kong Dollar	10.59½-10.66	5.65-5.68	Italy	2185-2270
Iran Rial	148.00*	79.25*	Japan	427-432
Kuwait Dinar (KD)	0.524-0.530	0.2810-0.2812	Netherlands	4.57-4.61
Luxembourg Fr.	70.22-70.32	37.41-37.43	Norway	10.94-11.06
Malaysia Dollar	4.2575-4.2675	2.2700-2.2730	Portugal	119-128
New Zealand Dlr.	2.2685-2.2735	1.2085-1.2095	Spain	175-187¼
Saudi Arab. Riyal	6.37-6.43	3.4160-3.4210	Sweden	10.27-10.37
Singapore Dollar	3.8850-3.8950	2.0715-2.0745	Switzerland	3.35-3.39
Sth. African Rand	1.8035-1.8055	0.9605-0.9615	United States	1.87-1.89
U.A.E. Dirham	6.85-6.91	3.6715-3.6745	Yugoslavia	81-86

† Rate given for Argentina is the commercial rate. The financial rate for sterling is 19,000-19,020 and for the dollar 10,100-10,150.

EURO-CURRENCY INTEREST RATES (Market closing Rates)

Nov. 6	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	West German Mark	French Franc	Italian Lira	Belgian Franc Convertible	Japanese Yen
Short term	15⅜-15⅝	13⅞-14⅛	18-19	12⅞-13	5-5½	10¾-10⅞	15-15½	16½-18½	14-16	6¼-6½
7 days' notice	15½-15¾	14-14¼	18-19	12¾-12⅞	5½-6	10⅞-11	15-15½	17¼-19⅝	14½-16	6½-6¾
Month	15⅝-15¾	14⅜-14⅝	18⅜-18¾	12 11/16-12 13/16	9½-9⅝	11-11⅛	15-15½	20⅛-21⅛	18-19	6½-6¾
Three months	15⅝-15¾	14 5/16-14 7/16	18⅛-18½	12⅝-12¾	10 1/16-10 3/16	11-11⅛	16-16½	21¼-22	18½-19¼	6⅞-7⅛
Six months	15⅜-15½	14¾-15	17⅞-18¼	12⅜-12½	9⅞-10	10⅜-10¾	17¼-17¾	21¾-22½	18⅝-18⅞	6⅞-7⅛
One Year	15 5/16-15 7/16	14⅞-15⅛	17⅞-18¼	12⅛-12¼	9¼-9⅜	10⅜-10¾	17¾-18¼	21⅝-22⅞	17¼-17¾	7⅛-7⅝

SDR linked deposits: one month 12 13/16-13 3/16 per cent; three months 13¼-13⅝ per cent; six months 13¼-13⅝ per cent; one year 13½-13⅞ per cent.

ECU linked deposits: one month 14¾-14⅞ per cent; three months 14½-14⅞ per cent; six months 14 9/16-14 15/16 per cent; one year 14⅛-14¾ per cent.

Asian $ (closing rates in Singapore): one month 14 9/16-14 11/16 per cent; three months 14¼-14⅞ per cent; six months 15-15⅛ per cent; one year 15 1/16-15 3/16 per cent. Long-term Eurodollar two years 15⅛-15⅝ per cent; three years 15⅝-15⅞ per cent; four years 15⅝-15⅞ per cent; five years 15¾-16 per cent nominal closing rates. The following nominal rates were quoted for London dollar certificates of deposit: one month 14.25-14.35 per cent; three months 14.10-14.20 per cent; six months 14.30-14.40 per cent; one year 14.60-14.70.

FT LONDON INTERBANK FIXING (11.00 a.m. NOVEMBER 6)

3 months U.S. dollars		6 months U.S. dollars	
bid 14 13/16	offer 14 15/16	bid 15 1/16	offer 15 3/16

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

LONDON MONEY RATES

Nov. 6 1981	Sterling Certificate of deposit	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Company Deposits	Discount Market Deposits	Treasury Bills ♦	Eligible Bank Bills ♦	Fine Trade Bills ♦
Overnight	—	8-15⅝	15¼-15⅝	—	—	15-16	8-16	—	—	—
2 days notice	—	—	15⅜-15⅝	—	—	—	—	—	—	—
7 days or	—	—	—	—	—	—	—	—	—	—
7 days notice	—	15½-15⅞	15¾	—	—	15⅛-15¾	15-16¼	—	—	—
One month	15¾-15⅝	15 11/16-15 13/16	15⅝	16⅛-15⅞	15⅝	15⅞-16	15¼-15⅜	15¼-15 3/32	15 7/16-15 11/16	16⅛
Two months	15 11/16-15 9/16	15 11/16-15 13/16	—	16⅛-15⅞	15⅝	16	15⅜	15 3/16-15¼	15 7/16	15⅞
Three months	15 5/16-15 3/16	15 5/16-15 7/16	15½	16-15¾	15 11/16	—	15⅛-15¼	14⅞-14 27/32	14 15/16-15	15⅝
Six months	15¼-15⅛	15⅜-15 7/16	15⅜	14⅞-14½	15 7/16	—	—	—	14¼-14 5/16	15
Nine months	15 3/16-15 5/16	15 5/16-15½	—	15⅛-15⅛	15⅜	—	—	—	—	—
One year	15 1/16-15	15¼-15⅜	15⅜	15⅜-15⅛	15⅜	—	—	—	—	—
Two years	—	—	15⅜	—	—	—	—	—	—	—

Local authorities and finance houses seven days' notice, others seven days fixed. Long-term local authority mortgage rates nominally three years 15⅞ per cent; four years 15⅞ per cent; five years 15⅞ per cent. ⊕Bank bill rates in table are buying rates for prime paper. Buying rates for four-month bank bills 14 13/16-14⅞ per cent; four-month trade bills 15½ per cent.

Approximate selling rate for one-month Treasury bills 15-15 7/32 per cent; two months 14 13/16-15⅛ per cent; three months 14¾-14 25/32 per cent. Approximate selling rate for one-month bank bills 15 3/16-15 7/32 per cent; two months 15 3/16-15⅛ per cent; and three months 14⅞ per cent; one month trade bills 15⅞ per cent; two months 15⅝ per cent; three months 15⅝ per cent.

Finance Houses Base Rates (published by the Finance Houses Association) 16 per cent from November 1 1981, Clearing Bank Deposit Rates for sums at seven days' notice 14 per cent. Clearing Bank Rates for lending 15½ per cent. Treasury Bills: Average tender rate of discount 14.8957 per cent.

CURRENCY RATES

Nov. 6	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.619653	0.583871
U.S. $	13	1.16030	1.09476
Canadian $	17.62	1.38436	1.30846
Austria Sch.	6¾	18.0694	17.0782
Belgian F.	13	45.5461	41.0316
Danish Kr.	11	8.30369	7.84778
D'mark	7½	2.58376	2.43639
Guilder	9	2.84564	2.68161
French Fr.	9½	6.51508	6.16236
Lira	19	1379.89	1301.67
Yen	6¼	266.767	250.503
Norwgn. Kr.	9	6.81808	6.43459
Spanish Pts.	8	110.864	104.462
Swedish Kr.	11	6.37643	6.02829
Swiss Fr.	6	2.08216	1.96509
Greek Dr'ch.	20½	—	61.3667

RECENT ISSUES

EQUITIES

Issue price p	Amount Paid up	Latest Renunc. Date	1981 High	1981 Low	Stock	Closing price p	+ or −	Div. p. or amount	Times covered	Gross yield	P.E. ratio
—	F.P.	—	850	775	✣Asprey	825	+25	35.0	3.3	6.1	6.0
168	F.P.	—	205	195	Cable & Wireless 50p	197	......	b6.3	2.0	4.6	15.6
90	F.P.	—	104	101	✣Feedback 10p	104	+1	b2.0	3.0	2.8	17.2
§110	F.P.	13/11	133	120	Habitat	130	+5	u3.6	1.4	4.0	24.3
§10½	F.P.	—	16	14	✣Humberside El. 10p	14	......	—	—	—	—
63	F.P.	2/12	74	69	✣JohnstonesP'int10p	76	......	b3.58	2.5	6.8	6.6
§67	F.P.	18/12	69	68	✣Sheldon Jones	69	......	u3.5	2.4	7.5	7.8
§62	F.P.	—	64	60	✣V.W.	62	−2	bd3.84	2.5	8.8	5.8

"RIGHTS" OFFERS

Issue price p	Amount paid up	Latest Renunc. date	1981 High	1981 Low	Stock	Closing price p	+ or −
14	F.P.	30/10 20/11	20	17	British Benzol	19	.....
275	125p	13/7 2/12	182	104	BP	156	−5
20	Nil	13/11 11/12	1pm	⅜pm	Brown & Jackson	⅜pm	−⅛
182	F.P.	23/10 27/11	191	182	Fosoco Minsep	184	−2
90	F.P.	21/10 26/11	106	90½	Heelamat	106	.....
50cts	Nil	— —	112pm	110pm	T N T	112pm	.....
250	F.P.	22/10 19/11	320	250	Viner's Units†	315	−15
20	Nil	13/11 15/12	21pm	13pm	Websters	18pm	.....

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimate. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. m Interim since increased or resumed. u Forecast dividend: cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimate for 1981. Q Gross. T Figures assumed. ‡ Cover allows for conversion of shares not now ranking for dividend or ranking only for restricted dividends. § Placing price. p Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered to holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation, merger or take-over. ‖‖ Introduction. □ Issued to former preference holders. ■ Allotment letters (or fully-paid). ● Provisional or partly-paid allotment letters. ★ With warrants. †† Dealings under special Rule. ✣ Unlisted Securities Market. ‡‡ London Listing. ‡ Effective issue price after scrip. † Comprising 50 Ordinary of 1p and £1 of 10 per cent Loan 1988.

FIXED INTEREST STOCKS

Issue price £	Amount paid up	Latest Renunc. date	1981 High	1981 Low	Stock
‡	F.P.	26/10	83p	81p	Asprey 9% Cum. Prf.
**	F.P.	—	100½	97	Austin (F.) Leyton 11% PtlyCnv.Red.Pf.
100	£10	10/12	64	62	Brooke Bond Leibig 9% Deb. '87/92
**	F.P.	—	12½	12	E. Worcs Waterworks 10% Rd. Prf. '86
§100	F.P.	—	99¾	92	Hawley Leisure 13% Cum. Pref.
51p	F.P.	—	52p	52p	Inchcape 5½% Cum. Red. Prf. 1980/2
§100	F.P.	—	100¼	92	Nat'wide Bdg.Society 16% Bds 27/10/82
97.29	£25	—	25½	22½	Nova Scotia (Province of) 6% Ln2011
‖£1	Nil	13/11	2pm	½pm	Staffs. Pots. 10% Cnv. Cum. Prf.
—	—	—	3p	½p	Sterling Credit Warrants
100	£10	10/12	12	12	TenderingH'dred Water 10% Rd.Prf.'86

Public Works Loan Board rates

Effective November 7

Years	Quota loans repaid by EIP†	Quota loans repaid At‡	Quota loans repaid at maturity§	Non-quota loans A* by EIP†	Non-quota loans A* At‡
Up to 5	16⅜	16⅜	17¼	17¼	17¼
Over 5, up to 6	16⅝	16⅝	17¼	17¼	17¼
Over 6, up to 7	16⅝	17	16⅞	17⅛	17¼
Over 7, up to 8	17	17⅛	16⅞	17⅜	17⅛
Over 8, up to 9	17⅛	17⅛	16⅞	17⅛	17⅛
Over 9, up to 10	17⅛	17	16⅝	17⅛	17⅛
Over 10, up to 15	16⅞	16⅞	16⅛	17⅛	17⅛
Over 15, up to 25	16⅛	16⅛	16	17	16⅞
Over 25	16	16	16	16⅛	16⅛

* Non-quota loans B are 1 per cent higher in each case than non-quota loans A. † Equal instalments of principal. ‡ Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

FT UNIT TRUST INFORMATION SERVICE

OFFSHORE & OVERSEAS FUNDS

كلمات الدليل

FT UNIT TRUST INFORMATION SERVICE

L & C Unit Trust Management Ltd.,
TL & C Unit Trust Management 88 2800

L&C Inc. Fund	154.4	159.2	....	9.42
L&C Intl & Gen Fd	133.3	137.5	....	1.61

Legal & General (Unit Tst., Mngrs.) Ltd.
5 Rayleigh Rd., Brentwood 0277 217238

Equity Dis	90.7	98.1	−0.2	4.59
Equity Acc.	127.2	137.5	−0.3	4.59
Gilt	104.1	109.6xd	+0.1	8.76

Leonine Administration Ltd.
2, St. Mary Axe, EC3A 8BP. 01-623 6114.

Leo Distribution	129.3	137.1	....	0.42
Leo Accum.	153.6	162.9	....	0.42

Lloyds Bk. Unit Tst. Mngrs. Ltd. (a)
Registrar's Dept., Goring-by-Sea, Worthing, West Sussex. 01-623 1288

Balanced	70.3	75.5xd	−0.8	5.02
Do. (Accum.)	110.3	118.6	−1.0	5.02
Energy Int.	46.5	49.9	−0.1	1.97
Do. (Accum.)	47.2	50.7	−0.1	1.97
Extra Income	59.7	64.1	....	9.53
Do. (Accum.)	82.0	88.1	+0.1	9.53
Income	90.7	97.5xd	−0.2	7.63
Do. (Accum.)	149.3	160.5	−0.5	7.63
Int. Technology	81.0	87.0	−0.3	0.55
Do. (Accum.)	82.0	88.1	−0.3	0.55
N. American & Gen.	53.0	56.9	−0.2	1.19
Do. (Accum.)	54.0	58.0	−0.2	1.19
Pacific Basin	—	50.0	....	1.00
Do. (Accum)	—	50.0	....	1.00
Small Cos. & Recy	54.3	58.3xd	+0.1	2.94
Do. (Accum.)	56.9	61.1	+0.1	2.94
Worldwide Gwth.	86.4	92.9	−0.5	2.22
Do. (Accum.)	115.3	123.9	−0.8	2.22
Exempt Nov 3	104.9	110.4	....	8.26

ΦUnauthorised. For tax exempt funds only.

Lloyd's Life Unit Tst. Mngrs. Ltd.
2, St. Mary Axe, EC3A 8BP 01-623 6114

Equity Accum. (2)	248.3	261.3	....	4.20

Local Authorities' Mutual Invest. Tst.*
77, London Wall, EC2N 1DB. 01-588 1815

Property Fd. Oct. 31	154.35			6.80
Wider Fund Oct. 31	263.35		+9.00	5.27
Narrower Fd. Oct. 31	69.35		+0.10	14.72

*Unauthorised. Available only to Local Authorities.

M & G Group (y)(c)(z)
Three Quays, Tower Hill, EC3R 6BQ. 01-626 4588

American	73.7	79.2	−0.3	2.26
(Accum. Units)	79.7	85.7	−0.3	2.26
American Recovery	79.0	84.5xd	....	1.43
(Accum. Units)	82.2	88.0	....	1.43
Australasian	84.7	90.6	....	1.73
(Accum. Units)	89.0	95.2	....	1.73
Commodity	124.4	133.1	+0.2	3.42
(Accum. Units)	147.8	158.2	+0.3	3.42
Compound Growth	174.1	189.8	+1.6	3.47
Conversion Growth	119.0	127.3	+1.4	2.64
Conversion Income	74.8	80.0	+0.6	8.96
Dividend	129.6	138.7	+1.4	9.69
(Accum. Units)	296.6	317.4	+3.3	9.69
European	60.9	65.2	+0.6	3.81
(Accum. Units)	67.9	72.6	+0.7	3.81
Extra Yield	79.0	86.1	+0.4	10.08
(Accum. Units)	133.1	145.1	+0.7	10.08
Far Eastern	112.7	120.6	+0.6	1.51
(Accum. Units)	129.6	138.7	....	1.51
Fund of Inv. Tsts.	89.1	97.1	+0.5	5.12
(Accum. Units)	121.7	132.6	+0.7	5.12
General	227.2	244.2	+2.1	6.22
(Accum. Units)	401.2	431.3	+3.7	6.22
Gilt Income	43.8	46.0	+0.2	12.75
(Accum. Units)	46.5	48.8	+0.2	12.75
High Income	106.4	116.0	+1.0	9.41
(Accum. Units)	223.7	239.4	....	9.41
Japan	185.0	198.0	+0.5	0.80
(Accum. Units)	194.7	208.3	+0.6	0.80
Magnum	325.4	348.2	+3.8	5.20
(Accum. Units)	458.1	490.2	+5.2	5.20
Midland	154.9	165.7xd	+0.5	8.85
(Accum. Units)	318.0	340.3	....	8.85
Recovery	117.7	128.3	+1.8	5.12
(Accum. Units)	133.8	145.8	+2.1	5.12
Second General	246.8	265.3	....	5.45
(Accum. Units)	418.4	449.8	....	5.45
Smaller Companies	256.4	276.5	+2.0	4.60
(Accum. Units)	356.7	383.8	+2.8	4.60
Specialised Funds				
Trustee	165.0	178.2xd	+0.7	7.35
(Accum. Units)	385.9	416.8	+1.6	7.35
Charibond Oct. 27		85.3xd	....	14.67
Charifund Nov 3	148.7	151.0xd	....	9.62
Pension Ex. Oct. 26	167.4	176.6xd	....	7.29

ManuLife Management Ltd.
St George's Way, Stevenage. 0438 56101

Gilt&Fxd Int.	51.5	55.5	+0.4	5.31

Royal Tst. Can. Fd. Mgrs. Ltd.
48-50, Cannon St., London EC4M 6LD 01-236 6044

Capital Fund	88.3	94.9xd	....	4.44
Income Fund	61.2	65.8	....	11.39

Prices on Oct. 30. Next dealing day Nov. 13.

For Saturn Fund Mngt. see SIMCO

Save & Prosper Group
4, Great St. Helens, London EC3P 3EP
68-73 Queen St., Edinburgh EH2 4NX
Dealings to: 01-554 8899 or 031-226 7351

International Funds				
Capital	47.3	50.8	−0.3	2.69
I.T.U.	33.6	36.1xd	+0.1	4.41
Select International	352.2	378.7xd	....	1.74
Univ. Growth	89.0	95.6xd	+0.4	0.74
Increasing Income Funds				
High-Yield	52.4	56.3xd	−0.3	8.83
Select Income	55.7	59.8xd	....	7.09
High Income Funds				
Gilt & Fxd. Int. Inc.	44.1	46.5	....	13.43
High Return	61.1	65.6	−0.3	9.03
Income	39.8	42.7	....	10.85
U.K. Funds				
Gilt & Fxd. Int. Grth.	49.3	49.8	−0.1	5.22
UK Equity	57.7	62.0	−0.3	4.47
Overseas Funds (z)				
Europe	81.2	87.3	+0.1	1.39
Japan	124.7	134.0	−0.4	0.10
S.E. Asia	80.8	86.8	+0.7	0.72
U.S.	123.1	132.3	−0.9	0.71
Sector Funds				
Commodity	134.3	144.4	−0.1	3.20
Energy	143.1	153.8	−0.8	1.25
Exploration Fund (z)	40.2	43.2	+0.5	0.24
Financial Secs.	102.7	110.4	+0.1	2.50
New Technology (z)	47.1	50.6	−0.1	0.25
Fixed-Interest Fund (z)				
Intl. Bond Fd.	59.0	63.1	−0.2	2.30
Exempt Funds				
Exempt Income*	171.6	181.2	....	8.34
Exempt Intl.*	348.2	367.5	....	0.68

Prices at October 28. Next sub. day November 11.

Scotbits Securities Ltd.

Scotbits	48.5	52.3	+0.1	4.35
Scotyield	48.3	51.9	−0.3	8.31
Scotshares	80.4	86.4	....	4.45

Schroder Unit Trust Managers Ltd.
48, St. Martins Lane, WC2. Dealings 0705 27733

Capital	174.0	187.0xd	+0.8	2.34
(Accum. Units)	228.4	245.5	+1.1	2.34
Income Fnd.	225.8	242.7	−1.7	7.98
(Accum. Units)	398.6	428.5	−1.8	7.98
Gen.	132.8	142.7	+1.2	3.98
(Accum. Units)	182.9	196.6	+1.8	3.98
Europe	23.2	24.9xd	+0.2	2.89
(Accum. Units)	27.9	30.0	+0.2	2.89
Smaller Co.'s	149.7	160.9	+1.4	2.95
American	57.3	61.6xd	....	0.42
(Accum. Units)	57.3	61.6	−0.1	0.42
Tokyo	56.9	61.1	+0.5	0.18
(Accum. Units)	56.9	61.1	+0.5	0.18
Gilt & Fixed	42.6	44.8	−0.2	12.97
(Accum. Units)	44.8	47.1	−0.2	12.97
Australian	50.1	54.4	+0.3	3.79
(Accum. Units)	50.5	54.8	+0.4	3.79
Singapore & Malay	46.7	50.2	−0.2	1.25
(Accum. Units)	46.7	50.2	−0.2	1.25
*Ph.&C. Fd. Oct. 20	230.2	247.5	....	5.48
*Recovery Oct. 27	276.6	297.4	....	4.46
*Spec. Ex. Oct. 27	451.2	485.1	....	2.23
Euro. Except. Nov. 5	112.9	121.3	....	2.58

*For tax exempt funds only.

Scottish Amicable Inv. Mngrs. Ltd.
150 St. Vincent St., Glasgow 041-221 8844

Equity Trust Accum.	99.3	107.2	−0.6	5.67

Scottish Equitable Fund Mgrs. Ltd.
28 St. Andrews Sq. Edinburgh 031-556 9101

Income Units	61.4	65.3	....	5.18
Accum. Units	81.1	86.3	....	5.18

Dealing day Wednesday.

For Sebag see Carr, Sebag Unit Trust Managers.

For Security Selection see McAnally Fund Management.

Scottish Widows' Fund Management
P.O. Box 902, Edinburgh EH16 5BU 031-655 6000

Pegasus Tst. Nov. 6	86.1	92.9	+2.1	—

SIMCO Money Funds
66, Cannon Street, EC4N 6AE 01-236 1425

...

0264 62188. Dealings to 0264 63432-3

TSB American	—	50.0	....	1.96
Do. Accum.	—	50.0	....	1.96
TSB General	63.0	67.6	−0.5	4.45
Do. Accum.	90.3	97.2	−0.7	4.45
TSB Income	73.8	79.4	−0.3	7.80
Do. Accum.	91.8	98.3	−0.4	7.80
TSB Pacific	47.4	51.0	+0.2	0.69
Do. Accum.	47.4	51.0	+0.2	0.69
TSB Scottish	121.4	130.6xd	....	2.22
Do. Accum.	139.7	150.3	....	2.22

Ulster Bank (a)
Waring Street, Belfast 0232 35231

(b)Ulster Growth	39.7	42.6	−0.3	5.97

Unit Trust Account & Mgmt. Ltd.
Regis Hse, King William St, EC4R 9R 01-623 4951

Friars Hse Fund	56.0	59.6	....	5.02

INSURANCE PROPERTY BONDS

Abbey Life Assurance Co. Ltd.
1-3 St. Paul's Churchyard, EC4. 01-248 9111

Equity Fund	47.5	50.0	−0.2	—
Equity Acc.	45.5	47.9	+0.6	—
Property Fd.	218.9	231.5		—
Property Acc.	255.7	269.2		—
Selective Fund	139.2	146.6	+1.4	—
Convertible Fund	169.5	178.5		—
Money Fund	158.0	166.4		—
Prop. Fd. Ser 4	202.1	212.9		—
Man. Fd. Ser 4	186.4	194.2	+1.6	—
Equity Fd. Ser 4	51.2	53.9	+0.8	—
Conv. Fd. Ser 4	143.7	151.3		—
Money Fd. Ser 4	143.5	151.1		—
Fixed Int. Fd. Ser 4	102.1	107.5	+0.3	—
High Inc. Fd. Ser 4	103.4	108.9	+0.9	—
American Fd. Ser 4	119.0	125.3	−0.5	—
Pension Property	305.0	321.1		—
Pension Selective	139.9	147.3	+1.3	—
Pension Managed	366.4	380.5	+2.3	—
Pension Security	204.3	215.1		—
Pension Equity Fd.	255.5	269.0	+2.9	—
Pension Fixed Int.	95.9	101.0	+0.4	—

FT SHARE INFORMATION SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

[illegible]

Five to Fifteen Years

[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

INT. BANK AND O'SEAS GOVT. STERLING ISSUES

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH AND AFRICAN LOANS

[illegible]

LOANS

Public Board and Ind.

[illegible]

Financial

[illegible]

Building Societies

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

BANKS AND HIRE PURCHASE

[illegible]

Hire Purchase, etc.

[illegible]

BEERS, WINES AND SPIRITS

[illegible]

BUILDING INDUSTRY, TIMBER AND ROADS

[illegible]

CHEMICALS, PLASTICS

[illegible]

CHEMICALS, PLASTICS—Cont.

[illegible]

DRAPERY AND STORES

[illegible]

ELECTRICALS

[illegible]

ENGINEERING MACHINE TOOLS

[illegible]

FOOD, GROCERIES, ETC.

[illegible]

FOOD, GROCERIES—Cont.

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS—Continued

[illegible]

INSURANCE

[illegible]

INSURANCE—Continued

[illegible]

LEISURE

[illegible]

MOTORS, AIRCRAFT TRADES

Motors and Cycles

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY—Continued

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

INVESTMENT TRUSTS—Cont.

[illegible]

Finance, Land, etc.

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Continued

[illegible]

OVERSEAS TRADERS

[illegible]

RUBBERS AND SISALS

[illegible]

TEAS

Indian and Bangladesh

[illegible]

Sri Lanka

[illegible]

Africa

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Finance

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

MINES—Continued

Australian

Dividends Paid	Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's
—	Acmex 50c	45	—	Q2.5c	—	3.5
—	ACM 20c	24	—	—	—	—
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Tins

[illegible]

Copper

[illegible]

Miscellaneous

Dividends Paid	Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's
[illegible]	Anglo-Dominion	[illegible]				
May	Burma Mines 10p	14	30.3	0.75	0.9	7.7
—	Colby Res. Corp.	150	—	—	—	—
Aug. Feb.	Cons. Murch. 10c.	280	30.6	tQ30c	1.8	6.1
—	††Explaura Gold	7	—	—	—	—
—	††Hemerdon 10c.	57	—	—	—	—
—	Highwood Res.	85	—	—	—	—
—	Northgate C$1	300	9.77	—	—	—
Jan. July	R.T.Z.	475	18.5	16.0	2.3	4.9
—	Do.9½%Cv.Ln.'95-2000	£108	18.5	Q9½%	—	f9.7
—	††SPO Minerals 10p	26	—	—	—	—
—	Sabina Inds. C$1	23	—	—	—	—
—	‡Southwest C. 10p	27	—	—	—	—
—	Tara Expln. $1	560	—	—	—	—

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 30 per cent and allow for value of declared distribution and rights.

- ● "Tap" Stock.
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ♦ Figures or report awaited.
- ‡ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 163(2)(a); not listed on any Stock Exchange and not subject to any listing requirements
- ‡‡ Dealt in under Rule 163(3).
- # Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue, cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♣ Not comparable.
- ♠ Same interim: reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ‖ No par value.

§§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. ★★ Available only to UK pension schemes and insurance companies engaged in pension business. a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Tax free up to 30p in the £. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1981-82. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1982. K Figures based on prospectus or other official estimates for 1981-82. M Dividend and yield based on prospectus or other official estimates for 1983. N Dividend and yield based on prospectus or other official estimates for 1981. P Figures based on prospectus or other official estimates for 1982. Q Gross. T Figures assumed. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xt ex capital distribution.

REGIONAL MARKETS

The following is a selection of London quotations of shares previously listed only in regional markets. Prices of Irish issues, most of which are not officially listed in London, are as quoted on the Irish exchange.

IRISH

Albany Inv. 20p	41	...	Conv. 9% '80/82	£92¾	...
Bertrams	10	...	Nat. 9¾% 84/89	£69⅛	+¼
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OPTIONS

3-month Call Rates

Industrials					
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B.A.T.	23	"Mams"	11	Town & City	2¼
Brown (J.)	8	Mrks. & Spncr	10		
Burton Ord.	12	Midland Bank	26	**Oils**	
Cadburys	8	N.E.I.	7	Brit. Petroleum	28
Courtaulds	5½	Nat. West. Bank	30	Burmah Oil	11
Debenhams	7	P & O Dfd.	9	Charterhall	6
Distillers	16	Plessey	26	KCA	12
Dunlop	6½	Racal Elect.	34	Premier	7
Eagle Star	25	R.H.M.	5	Shell	28
F.N.F.C.	4	Rank Org. Ord.	14	Tricentrol	25
Gen. Accident	30	Reed Intnl.	23	Ultramar	40
Gen. Electric	53	Sears	5		
Glaxo	32	Tesco	5	**Mines**	
Grand Met.	15	Thorn EMI	30	Charter Cons.	21
G.U.S. 'A'	36	Trust Houses	11	Cons. Gold	40
Guardian	30	Tube Invest.	12	Lonrho	7
G.K.N.	12	Turner & Newall.	7½	Rio T. Zinc	45
Hawker Sidd	25	Unilever	50		

"Recent Issues" and "Rights" Page 28

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £600 per annum for each security

FINANCIAL TIMES

Monday November 9 1981

N. Ireland response may please Government

By Margaret van Hattem, Political Staff

PERSONAL ANTIPATHY and tension between the Prime Minister and Mr James Prior, the Northern Ireland Secretary, show no sign of having abated since the September Cabinet reshuffle.

Their evident coolness toward each other during Friday's Anglo-Irish summit talks, and at the subsequent Press conference, has provokes speculation that relations may, if anything, be getting even worse.

Others present at Friday's *talks noted* that Mrs Thatcher barely spoke to Mr Prior, who took little part in the discussions with Dr Garrett Fitzgerald, the Irish Prime Minister, and his team.

Their wide personal and political differences are no secret, but their apparently minimal effort to conceal them from others on Friday indicates a degree of estrangement which it is feared could entangle Anglo-Irish lines of communication.

Nor will it help Mr Prior win support for any package of economic measures he might wish to put to Cabinet before the end of the year.

Both Mrs Thatcher and Mr Prior are, however, understood to be pleased with the outcome of the summit and with the response to it from Northern Ireland.

Though the Rev Ian Paisley, leader of the Democratic Unionists, immediately called for a sweeping campaign to crush the new Anglo-Irish Council and set up an assembly at Stormont, the Government claims that his impact is diminishing.

More attention is being paid to Mr John MacMichael, chairman of the Ulster Loyalist Democratic Party, political wing of the paramilitary Ulster Defence Association, who called yesterday on Unionists and "Loyalists" to "stop rattling their sabres and start rattling their brains."

Mr MacMichael said he deeply opposed the new council, but ruled out the possibility of the type of strike which brought down the Ulster Assembly.

He blamed the Unionist politicians "who brought these events about by allowing themselves to be bypassed because they've never put forward anything constructive."

This week, he added, he would call on all Unionist and Loyalist groupings in Northern Ireland to join in a series of conferences in the hope of producing a constructive alternative, with the support of the Protestant majority, to put to the Government.

Brendan Keenan writes: The first effect of last week's agreement to set up an Anglo-Irish co-operative council has been to widen the rift between the two major parties in the Republic.

An angry debate is likely in the Dail tomorrow after the strong attack by Mr Charles Haughey, the Opposition leader.

Editorial Comment, Page 16

Steel price increase warning

BY ALAN PIKE

THE British Steel Corporation's new corporate plan will go to the Government later this month with a warning that EEC steel prices must continue to rise if its targets are to be met.

The plan will stress that BSC's problems cannot be solved by productivity improvements alone, despite the fact that 70,000 steelworkers have lost their jobs since the beginning of last year and the corporation is now seeking about 20,000 more redundancies.

The plan, an elaborated and more long-term version of the survival plan for BSC presented to the Government last December, will emphasise the crucial role of an adequate price structure in bringing the money-losing corporation to viability.

For this reason Mr Ian MacGregor, BSC chairman, and his colleagues are determined that the regime of price increases now being proposed by the EEC steel industry must be made to stick, even though there is a mounting chorus of opposition from steel-consuming industries.

Mr Patrick Jenkin, the Industry Secretary, who will receive the corporate plan, said at the weekend that he was becoming confident that BSC, under the "vigorous and effective" leadership of Mr MacGregor, was on the way to profitability and survival.

Mr MacGregor hopes that BSC will begin to break even by the end of next year. Mr Jenkin told the Conservative trade unionists' conference in Sheffield that with continued progress the corporation might break even in the 1982-83 financial year as a whole, and be in surplus by the end.

However, he acknowledged that external factors like EEC price levels, market stability and exchange rates were crucial, and he will find these points reiterated by Mr MacGrego,

EEC steel producers are imposing 10 per cent increases in the present, final quarter of this year, which are due to be followed by further increases of up to 15 per cent on January 1.

This has led to complaints by steel consumers that the collapsed price structure of the industry is being repaired at the cost of making manufacturing industry increasingly uncompetitive.

Viscount Etienne Davignon, the EEC Industry Commissioner, has heard the views of both sides and is due to announce the Commission's view on the proposed January increases shortly.

There is a growing belief in the steel industry that the consumers are exaggerating the justice of their case.

British bulk steel prices, measured in any terms, have fallen in the past two or three years, and are now 25 per cent down in real terms on the price levels of the early 1970s, while steel consumers in industries like engineering, motor and construction have enjoyed substantial price increases.

Concerted efforts by the EEC steel industry to restore price and production discipline have recently allowed a little of this ground to be recovered.

BSC has imposed the first increases in prices of strip products since July 1979, putting, for example, 10 per cent on the basic price of hot rolled coil.

The corporation's determination that this process should continue will be heartening for British private-sector producers, which are equally anxious to convince customers that there is a vaild case for higher prices.

British producers say that even after the 15 per cent increases proposed for January their prices will still be up to 20 per cent below U.S. domestic prices.

The longer-term future of price discipline in the EEC steel industry continues to depend on withdrawal of Government subsidies and implementation of capacity reductions.

Mr MacGregor and Mr Bob Scholey, his deputy, are spending much of their time in discussions with fellow-EEC steelmakers in an effort to ensure that the Commission's determination to achieve these objectives is realised.

Cabinet to press Edwardes on sale of BL, Page 4

Building society receipts may have fallen sharply

BY MICHAEL CASSELL

BUILDING SOCIETY receipts may have plunged last month to their lowest level for nearly two years.

Fgures due this week are expected to show net receipts at between £180m and £200m, against £334m in September and £535m in October 1980.

The monthly total is likely to be the lowest recorded since December, 1979, and will reflect how uncompetitive the the societies were before they decided at the start of October to raise interest rates from this month.

An announcement of higher rats normally helps improve the inflow of funds into the societies but on this occasion it has had no effect.

The societies cannot expect much improvement before the rates normally helps improve end of the year, when pre-Christmas spending activity normally brings a further seasonal cut in savings. Higher investors' rates introduced at the start of last week, might help redress the balance.

The societies may not be unduly worried about the fall in receipts, as mortgage demand has weakened considerably. Building society lending was already declining ahead of the latest interest rate rises. The return to a 15 per cent recommended mortgage rate is further affecting demand.

The banks have continued to penetrate further into the societies' traditional lending territory. Over the next few months many societies could face the problem of finding enough customers to meet lending quotas.

The decision by societies such as the Halifax, the Woolwich and the Burnley to abandon their mortgage rate differentials and charge a standard rate—an attempt to win back business lost to the banks—has placed their big competitors in a dilemma.

Many of these have been inundated with complaints from customers with large loans asking when they intend to abolish differentials.

The largest societies feel they have been presented with a fait accompli and that, unless they are prepared to lose a considerable amount of new mortgage business—and some existing customers—they will have to react.

With many societies heavily dependent on higher-interest bearing mortgages to pay for the more attractive investment schemes on offer, the decision is proving difficult.

Nationalised industry chiefs face curbs

By John Lloyd

MINISTERS are investigating ways of curbing the powers of chairmen of nationalised industries.

Proposals to make the chairmen more accountable to their sponsoring ministers are likely to be announced before the end of this year.

They will be outlined in ministerial speeches over the next few weeks, as the opening gambits in a public debate

The chairmen have asked to see the Prime Minister to discuss the issue, but have been told to talk instead to Mr Patrick Jenkin, the Industry Secretary. A meeting is expected probably early next month.

Of particular concern to ministers is finding a way of sacking chairmen when *they* step out of line with Government policy.

The issue has been given point by the forthright opposition to the Government's privatisation drive shown by Sir Denis Rooke, chairman of British Gas.

Sir Denis was last week given a much-advertised ticking off by Mr Nigel Lawson, the Energy Secretary, about his campaign against Government plans to strip British Gas of its oil interests, its right to first refusal on North Sea gas and, in time, its gas showrooms.

The Government has also shown disappointment in the past with the chairmen of the two other energy utilities, Sir Derek Ezra of the National Coal Board, and Mr Glyn England of the Central Electricity Generating Board.

Treasury backs training plan

BY OUR INDUSTRIAL AND POLITICAL STAFFS

MR NORMAN TEBBIT, Employment Secretary, has won Treasury approval for a far-reaching programme to provide training for all school-leavers whether *they can find a job or not.*

The scheme will replace the present Youth Opportunities Programme, which is being severely overstretched by having to cope with about 500,000 young people.

Mr Tebbit is also expected to announce soon his broad approval for recommendations to retain six of Britain's 24 industrial training boards on a statutory basis.

The six—engineering, construction, road transport, hotel and catering, rubber and plastics, and clothing, were recommended for retention by the Manpower Services Commission, which runs the employment and training services, after a sector-by-sector review earlier this year.

Mr Tebbit has apparently decided that a seventh board, which the MSC believed should *survive—ceramics and glass—* need not continue in statutory form. But he thinks a statutory board for the offshore oil and gas industry is needed.

Mr Tebbit referred to the proposed new scheme for school-leavers when he told the annual conference of the Conservative Trade Unionists at the weekend that the Treasury had agreed "to allow me to spend more in this area than ever before," and that he had in no way been obstructed in preparing the plans by a "mad monetarist chancellor."

He said the training package, to be announced in the next few weeks and to be coupled with a later announcement on the future of the industrial training boards, was designed to "catch up with our competitors who are years ahead of us in this field."

Mr Tebbit's plans are still being completed, but the broad outline appears to be:

- Training, including on-the-job experience, will be avalaible for all 16-year-olds;
- The training will be more rigorous, of a higher quality and last longer than the present YOP provisions;
- The Manpower Services Commission, which will be largely responsible for administering the scheme, will use schools and other institutions as premises for training.

Companies may be asked to contribute financially to the scheme, although no decision has apparently yet been made.

Continued from Page 1

BP pay

pared detailed contingency plans, including the use of troops to transport essential fuel supplies, if the strike goes aheda. The unions is preparing for picketing.

Mr Kitson was reported as saying: "If the drivers do turn o fthe tap, there'll not be anybody — not the army or anybody — going into the refineries. They'll have to pump the bloody fuel into the nearest river."

Perhaps *significantly*, in the light of the BP voting, the Advisory, Conciliation and Arbitration Service is staying its hand at present. While contact is being maintained, any formal intervention is unlikely until at least the middle of the week.

Following the BP stewards' meeting, stewards from Shell will meet on Wednesday, those from Esso on Thursday and those from Texaco on Friday.

Communications

Continued from Page 1

optical fibres during the next decade. The fibres are hair-thin transparent strands which carry signals as pulses of light.

British Telcom lacks the financial resources to renew the millions of miles of local-subscriber circuits, as the Bundespost hopes to do. The Industry Department is therefore exploring whether the same objective can be achieved by other means.

Whitehall officials believe the most promising approach would be to set up a regulatory framework. This would co-ordinate investment in local and national communications systems which they expect organisations other than British Telecom to make in the next decade.

A consortium led by Cable and Wireless is planning to build its own advanced national communications network. Cable-television operators also will be likely to want to expand their existing circuits and to equip them to receive satellite broadcasting, if their current two-year experiments with subscription television prove successful.

The national electricity mains network offers another option. Thorn EMI is working on a technique to use the electricity mains to transmit computerised information. It would also be technically feasible to run optical fibres the length of existing electricity cables.

The Industry Department believes it may be possible to build up a national network of technically compatible, interconnecting systems operated by different organisations. Each would carry a wide range of advanced services, including two-way video and cable-television. Government licensing would prevent too great a geographical overlap among them.

Weather

UK TODAY

COLD. Cloud and rain in the North; dry with bright intervals in the South.

London, S., E. England
Dry at first. Misty. Bright intervals. Max temp 7C (45F).

S.W. England, Wales, Channel Isles
Dry. Bright intervals. Max 12C (54F).

W. Midlands, N.E., N.W. and Central North England
Fog, clearing slowly. Bright intervals later. Max 6C (43F).

Lakes, Isle of Man, N. Ireland, Scotland, Orkney and Shetland
Cloudy. Rain. Max 9C (48F).

Outlook: Cold. Dry at first, rain later in the South. Rain and sunny intervals in the North.

WORLDWIDE

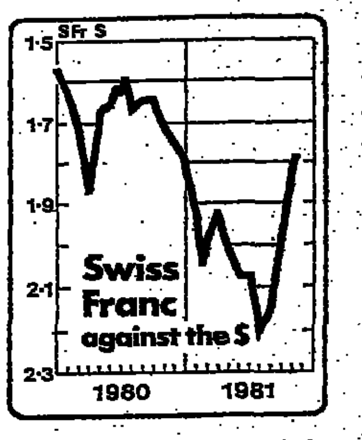
		Y'day midday °C	°F			Y'day midday °C	°F
Algiers	F	22	72	L. Ang†	F	15	59
Amsdm.	S	7	45	Luxmbrg.	S	2	36
Bahrain	S	26	79	Luxor	S	26	79
Barcina.	C	14	57	Madrid	F	16	61
Beirut	S	55	77	Majorca	S	18	64
Belfast	C	10	50	Malaga	S	26	79
Belgrd.	C	2	36	Malta	C	19	66
Berlin	S	5	41	M'chstr.	F	8	46
Biarritz	F	9	48	Melbne.	S	22	72
Bmghm.	C	8	46	Miami†	F	18	64
Blackpl.	C	8	46	Milan	S	8	46
Bordx.	S	8	46	Moscow	R	1	34
Boulgn.	S	5	45	Munich	C	—1	30
Bristol	C	8	46	Nairobi	C	27	81
Brussels	S	3	37	Naples	C	10	50
Cairo	F	24	75	Nwcstl.	C	7	45
Cardiff	C	8	46	N. York†	F	5	41
Cas'b'ca	F	21	70	Nice	C	12	54
Cape T.	F	21	70	Nicosia	F	23	73
Chicg.†	C	7	45	Oporto	Fg	12	54
Cologne	F	3	37	Oslo	S	1	34
Cophgn.	C	4	39	Paris	S	5	41
Corfu	C	18	64	Perth	F	20	68
Denver†	C	7	45	Prague	Sn	0	32
Dublin	C	10	50	Rykjvk	R	4	39
Dbrvk.	F	10	50	Rhodes	R	19	66
Edinbgh.	C	7	45	Rome	S	13	55
Faro	S	23	73	Salzbrg	Sn	—1	30
Florence	F	8	46	S'cisco†	F	8	46
Frankft.	F	4	39	Stckhm.	C	1	34
Funchal	C	21	70	Strasbg.	S	4	39
Geneva	S	3	37	Sydney	C	12	54
Gibrltr.	S	22	72	Tangier	S	20	68
Gl'sg'w	C	8	46	Tel Aviv	F	24	75
G'rnsey	F	7	45	Tenerife	C	25	77
H. Kong	C	18	64	Tokyo	C	11	52
Innsbrk.	F	1	34	Tunis	F	20	68
Invrnss.	C	9	48	Valencia	F	20	68
I.o.Man	C	9	48	Venice	S	8	46
Jersey	S	8	46	Vienna	C	3	37
L. Plms.	F	23	73	Warsaw	C	2	36
Lisbon	F	18	64	Zurich	S	3	37
London	S	9	48				

C—Cloudy. F—Fair. Fg—Fog. R—Rain. S—Sunny. Sn—Snow.
† Noon GMT temperatures.

THE LEX COLUMN

Exco rides the broking boom

The Cable and Wireless stags do not have to scratch their heads and worry about where to reinvest their profits. The flotation of Exco, the money broking firm, if not quite on the Cable scale—the issue will raise £20m, slightly over half of it representing new capital—looks a happy opportunity to repeat the trick. One broker's circular hails "a major financial growth stock."



Exco has an excellent reputation in the City and a good record over the last few years, complicated by the cash-and-share acquisition of Godsell in 1980, but accelerating decisively from £2.5m pre-tax in 1979 to £5m in the first half of 1981. It also has the advantage of high fashion; to the equity market money broking means Mercantile House, which is very much the City's darling and has got away with two triumphant rights issues in little more than a year.

Things have not always been like that. After R. P. Martin came to the stock market and cut its dividend twice in two years, plenty of merchant bankers came to the conclusion that money brokers should not be publicly quoted companies. But the ideal trading conditions of the last year or so, with high volatility in interest rates as well as on the foreign exchanges, make it possible to underwrite the Exco issue on 14 times earnings and offering a yield (twice covered) of 4.6 per cent. The fact that it is not possible to give even a qualified profits forecast for a year ending within eight weeks is taken to underline the excitement of money broking rather than its instability.

In many of its markets—and it has a wide geographical spread—Exco lives with negotiated commissions, but in the London markets which account for some 40 per cent of profits there is a fixed structure. This is currently under review as a result of widespread dissatisfaction among the banks at the level of brokerage charges.

Exco reckons that it is big enough to benefit over the medium term from any shake-out in the business. What is less clear is how it could deal with the potential problem of quieter international financial markets if monetary authorities regain control after the near anarchy of the last few years.

Not surprisingly the brokers are beginning to diversify away from their major activity; into commodity broking in the case of Mercantile House, and into Telerate, the financial information system, at Exco. The share offering will fund the purchase of Exco's 36 per cent holding in Telerate, pay off the remaining long-term debt and generally spruce up the balance sheet, which a year ago had more goodwill than gross shareholders' funds and a high level of gearing. Now there will be tangible net worth of £14½m, incorporating a recent property revaluation.

Against this the market capitalisation at the offer price is £60m, and that should leave some room for a premium. This sort of rating assumes that the recent very high return on assets employed in financial services is sustainable over a long period of time. In practice most of the subscribers will, like Exco, be placing overnight money.

Swiss banks

Swiss Volksbank's disclosure last week of heavy losses on its silver market business comes against the background of a difficult year for Swiss banks as a whole in 1981. In a better business climate the bank might have felt able to finance the total losses of SwFr 139m out of hidden reserves, *leaving shareholders in blissful ignorance.* Indeed a portion of the loss, amounting to SwFr 72m, now turns out to have been accounted for in this way last year.

In 1981, however, the bank's general profitability has been seriously impaired by distortions in its balance sheet connected with the rise in short term interest rates. In the first nine months of the year customer current account, savings and deposit account holdings fell by a total of SwFr 610m as the public shifted into higher-yielding time deposits, which rose by SwFr 804m.

It is largely out of the former accounts that Swiss banks finance their mortgage lending, and Volksbank, whose [illegible] is more heavily dom[illegible] orientation than the [illegible] banks, has a mortgage [illegible] folio, which at Sw[illegible] amounts to about one[illegible] its total assets.

Margins on mortg[illegible] ing have thus come [illegible] severe pressure [illegible] Moreover, at a time [illegible] inflation it is pa[illegible] awkward for Swiss b[illegible] raise their mortgage [illegible] because of their direct [illegible] on rents.

None of the major b[illegible] escaped the impact [illegible] squeeze on interest [illegible] this year. Credit Suisse [illegible] like Volksbank is fa[illegible] lower net profits, [illegible] customer time deposits [illegible] 34.5 per cent during [illegible] nine months, while its [illegible] sheet as a whole grew [illegible] about 10 per cent.

There has been a si[illegible] perience at Swiss [illegible] Corporation and UB[illegible] time deposits growing [illegible] per cent and 27.8 [illegible] respectively compared [illegible] total assets growth of [illegible] cent and 10·1 per ce[illegible] quite apart from this [illegible] many banks are warn[illegible] the slowdown in th[illegible] economy will necessitat[illegible] bad debt provisions.

Not surprisingly, Sw[illegible] shares have underp[illegible] industrials on the stock [illegible] so far this year. Their dividend yield has ris[illegible] just below 3 per cent [illegible] cent since the end [illegible] December, while SBC [illegible] Corp estimates the industrial yield is at [illegible] 3.4 per cent, against [illegible] cent.

Argyll/Linfood

The sight of a post[illegible] soon be enough t[illegible] Linfood shareholders d[illegible] cover. They have rece[illegible] fewer than three [illegible] circulars in the last wee[illegible] advocating or rubbish[illegible] benefits of Argyll Foo[illegible] posed takeover offe[illegible] latest outpouring com[illegible] Linfood, pounding h[illegible] message that the offer [illegible] values the company. In [illegible] far Linfood seems to h[illegible] on points in the paper [illegible] all this could be th[illegible] before the lull. The deadline set by Argyll i[illegible] artificial, in spite of th[illegible] to withdraw the cash [illegible] tive. Shareholders [illegible] follow the course norma[illegible] advantageous in [illegible] battles—and hang on [illegible] last possible moment.

Crisis 'threatens newspapers and jobs'

BY JOHN LLOYD, LABOUR CORRESPONDENT

PRINT UNION leaders have been told that national newspapers are facing a crisis "of unprecedented dimensions" which threaten a number of titles and thousands of jobs.

The warning comes in a letter from Sir Richard Marsh, chairman of the Newspaper Publishers Association, to general secretaries of the four print *unions and officials of the main*tenance unions in Fleet Street, following a zero pay increase offer to the unions from the NPA last month.

The NPA says that the crisis had forced it to propose a wage freeze from January until July, with a review of the position for the second half of the year. This has been rejected by the unions, amid warnings of possible industrial action after December.

In a background document appended to his letter, Sir Richard lays out the parlous state of the industry. Newsprint prices were up from £240.19 per tonne in October 1980 to £308.22 a tonne last month.

The NPA had told newsprint manufacturers that the price threatened to bankrupt some newspapers. The price had been lowered—but would rise again next year.

The document estimates that the unions' claim would add £60m to Fleet Street's annual wage bill. Projected profits for this year amounted to no more than £8m on a turnover of £900m. Next year was expected to show an overall loss. "No business can contemplate a viable future on that sort of a balance-sheet."

Increases in cover prices had now been shown to be self defeating. The aggregate circulation of national newspapers in the period January to June 1980 was 39.3m. After last year's round of price increases it had fallen to 37.6m, a drop of nearly 1.7m, or 4.3 per cent.

Advertising, both display and classified, had also been hard hit, though no figures are given. Increasing advertising rates was also self defeating.

The document says that, in spite of a new disputes procedure agreed last year, industrial action had run at a relatively high level in the first three quarters of this year. There had been 32 disputes over the past four months *alone.*

Figures collected by the NPA show that the average wage in Fleet Street over the past year was £235 for a week "considerably less" than 40 hours, while the average industrial wage stood at £128 for 41 hours. Wage costs represented 45 per cent of all costs, the NPA says.

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